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ROYAL COMMISSION
ON
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ROYAL COMMISSION ON TRANSPORTATION

CALGARY, ALTA.,
Tuesday, June 14th, 1949

THE HONOURABLE W.F.A.TURGEON, K.C. LL.D.	Chairman
HAROLD ADAMS INNIS	Commissioner
HENRY FORBES ANGUS	Commissioner

- - - - -

G. R. Hunter,
Secretary.

P. L. Belcourt,
Asst.Secretary.

- - - - -

THE CHAIRMAN: Very well, Mr. Covert.

MR. COVERT: Mr. Chairman, Mr. Porter, K.C., would like the privilege of making a statement at this time to the Commission.

THE CHAIRMAN: Very well, Mr. Porter.

MR. PORTER: Mr. Chairman, I have to go out of town. That is why I am asking for the privilege of speaking, perhaps, out of turn. I am appearing for the Alberta Wheat Pool, whose members, as you know Mr. Chairman, are vitally interested in this problem, because they are chippers and consumers who pay a great deal of freight. They realize that this freight bill must be paid, and that the railroads must have enough money to carry on. But they feel that, perhaps, too much of the charge is being borne by them and by their goods.

They plan to make a submission to the Commissionat Ottawa, which will be calculated to offer some suggestions designed to help solve this problem. I was asked to come here to say what I have, so that the Commission would be aware of their interests, and I would like to say how much they appreciate having an opportunity to deal with this very serious problem.

THE CHAIRMAN: Well, Mr. Porter, that would involve the filing of a brief?

MR. PORTER: Oh, yes, Mr. Chairman.

THE CHAIRMAN: And as to the time of filing and so on, I suggest that you consult Mr. Hunter, the Secretary of the Commission, who will arrange that with you. Thank you, Mr. Porter.

MR. COVERT: The next submission, Mr. Chairman,

will be that of Alberta Poultry Producers Limited.

MR. FRAWLEY: I call Mr. Kapler.

K. V. KAPLER, called

MR. FRAWLEY: Mr. Chairman, this is one of the briefs with respect to which the Commission suggested that a summary be prepared and read, in lieu of reading the complete brief.

MR. FRAWLEY: Q. Mr. Kapler, you live where?

A. Strome, Alberta.

Q. And you represent the Alberta Poultry Producers Limited?

A. That is right.

Q. And the Alberta Poultry Producers Limited desire to make a submission to this Commission?

A. That is right.

Q. And you were requested, in line with a direction of the Commission, to prepare a brief summary of your brief?

A. That is right.

Q. And you did so?

A. Yes.

Q. Will you please read your summary into the record now, it being understood that the complete brief will be transcribed.

A. Mr. Chairman and Commissioners: Before reading this summary I would like to point out some typographical errors in the brief itself. On page 2, where the figures .06 and .04 occur, at the bottom of page 2, they should read four cents and six cents.

COMMISSIONER INNIS: Q. And on the same page you

speak of corresponding rates for poultry?

A. For export, via eastern seaboard, the charges are a little over .04, and it should read four cents.

Q. No, the next sentence?

A. Yes, I think so; no, it would not be the same rates.

Q. It is not a corresponding export rate?

A. No.

MR. FRAWLEY: Is that cleared up?

COMMISSIONER INNIS: We can raise the question later.

THE WITNESS: The Alberta Poultry Producers Limited is a producers' co-operative interested in the assembling and marketing of eggs and poultry. As we do a large volume of business we feel we are in a position to express the views of the industry in regard to transportation rates.

It is only in the last few years that our industry has developed from a fluctuating sideline to become one of the major branches of agriculture in Alberta. Appendices A and B clearly illustrate the magnitude of this growth.

Relationship of Rail Transport to the Poultry Industry.

Rail transportation plays a major role in the assembling, processing and marketing of eggs and poultry. The rates paid for egg and poultry movement are, of course, deductions from the net returns of the farmer.

At present farmers express their eggs to a local assembling point at a minimum cost of 56 cents per case. This is an effective charge since many farmers ship only a case at a time. From these points eggs and poultry move

by express or truck to major carlot shipping centres.

THE CHAIRMAN: Q. How many eggs are there to a case?

A. Fifteen dozen and thirty dozen. We mention fifteen dozen cases . here.

Finally these commodities areshipped by railroad to our major markets in eastern and western Canada and to the United States and Britain.

The importance of these outlets to the Alberta producer is shown in the table on page 4. The present rates to these markets range between 2 cents and 5 cents per dozen of eggs and between 2 cents and 4 cents per pound of poultry. Thus this movement is of increasing importance to both the producer and the railways.

Another source of railroad revenue is the shipment of feed concentrates and supplements. These are usually sent by L.C.L. freight. The hatchery industry is also making an increasingly large contribution. Chicks move out to rural points by express. Supplies and equipment come long distances from the U.S. and eastern Canada. At present freight charges on the Canadian section of the haul from U.S. points are on the basis of standard class mileage rates. We feel enough traffic moves through border points to warrant a distributing rate from these points similar to that granted shipping centres in western Canada.

Present and Future Position of the Industry

At the present time Canada's poultry industry is facing

a crisis. Export contracts with the United Kingdom expire at the end of the year. Renewal, if any, will probably be at lower prices and volume. This would seem to indicate that in 1950 there will probably be a reduction in the price of poultry products. Freight and express charges are fixed and thus producer profits will decline which may cause a reversion to the old and unstable position of production and prices.

Horizontal rate increases tend to weigh most heavily on the distant shipper which is the position of most of Alberta's primary producers. Thus, their transportation costs have risen more than those of their more favorably situated competitors. We realize the practical advantages of this method of raising rates but we feel that it should only be applied if some limit is put on the increases on the longer hauls. Any further increases without this limitation will only accentuate our difficulties.

Conclusion: To briefly recapitulate:

1. Our present stable position is important to both producer and consumer.

2. The recent horizontal 21 per cent increase has had a detrimental effect on our industry.

3. Favorable freight rates are necessary in our search for new markets.

4. We would like to see distributing rates set up at border gateways.

5. It is in the interests of the railways to help maintain our present level of production.

(The following is the full brief)

Mr. Chairman and Commissioners: Alberta Poultry Producers Limited is a co-operative association formed to assemble and market egg and poultry products on behalf of primary producers in the province of Alberta. The foundation of the organization was the establishment by the provincial government in 1942 of the Alberta Poultry Producers Marketing Board which was organized under Order-in-Council with powers to regulate and control the marketing of poultry products in the province and to further participate in commercial operations if it was deemed desirable in the interests of the industry as a whole.

In entering commercial operations, the Marketing Board as such established Alberta Poultry Marketers Limited to function as a holding and operating company and in turn, Alberta Poultry Producers Limited was set up to function as a co-operative organization which would distribute the earnings of the operating company on a patronage basis to poultry producers who took advantage of these marketing facilities. In seven years this co-operative has developed to the point where it now handles some 45 per cent of all the eggs and poultry produced in the Province of Alberta and renders a marketing service for over thirty thousand poultrymen. The latter have obtained final payments of well over a million dollars, in addition to the regular initial payments which they receive on delivery of their goods.

It should be evident, therefore, that this organization as a producer group and as the largest handlers in the poultry industry in this province, is in a position to express the attitude of the industry relative to

transportation rates which are of such vital significance to its wellbeing.

Development of Alberta's Poultry Industry

Up until the war years, the poultry industry was generally considered to be an agricultural side-line with the great bulk of the product coming from small marginal producers who normally sought a market for only their surplus production. As a result, the industry was highly unstable, prices were subject to extreme fluctuations varying with supply and demand and the level of prices paid to producers was frequently such as to indicate the existence of a distressed industry. It was in an effort to overcome the ills connected with this type of undertaking that the agricultural producers in the province pressed for and were successful in having the Alberta Marketing Act passed in 1938, by which the poultry industry as well as others could be adequately regulated and controlled to the advantage of all concerned. It was under this Act that the Alberta Poultry Producers Marketing Board came into being.

The stabilizing effect of the Marketing Board coupled with the establishment of the Special Products Board and subsequent negotiation of export contracts for eggs and egg products with the United Kingdom resulted in a tremendous development within the industry to the point that today it has assumed a place as one of Alberta'a major agricultural undertakings. This statement is clearly borne out by the statistics in Appendix A, which show that poultry on farms increased by more than 4,000,000 from 1928 to 1947, while egg

production showed an increase from 24,000,000 dozen in 1928 to 37,000,000 dozen in 1947. Appendix B shows the expanded production of chicks within the province and clearly indicates the growing importance of this particular branch of our industry.

Relationship of Rail Transport to the Poultry Industry

Rail transportation plays a major role in the assembling, processing and marketing of eggs and poultry. The rates paid for these movements, together with those in effect on feed and supplies, are reflected directly in the prices received by the primary producers. We can probably best illustrate the importance of railroads to the industry by tracing the movement of eggs and poultry from the producers to the final market.

Within the province there are approximately 170 registered grading stations equipped to handle eggs and poultry. Eggs are delivered to these points by the farmer once or twice a week in 15 and 30 dozen lots. If these eggs come in by express, a common method of shipment, they carry a minimum charge of 50 cents a crate plus a return charge for the empty crate of .06 cents. Thus, if the farmer ships a 15 dozen crate he must pay almost .04 cents per dozen for express alone, which is naturally a deduction from the price he receives for his eggs. This 50 cents is an effective rate since many farmers ship a case at a time and, therefore, do not reach the minimum weight.

Most of the local assembly points do not handle enough produce to make up carlots so there is a further movement from these local points to major carlot shipping centres. Eggs and poultry again usually move by express or truck

since L.C.L. freight shipments are too slow and uncertain for these highly perishable commodities. This is another charge which is deducted from the producer and which is shown by the lower price paid at the local assembling point as compared to that paid in the large centres.

The movement of carloads of eggs, dried egg powder, poultry and melange from the carlot assembling points is entirely carried on by rail transportation to markets in Eastern Canada, Western Canada and the United States. Prices which Alberta products command on these foreign markets are, of course, the basis for the prices which may be paid to producers for these goods. Thus, for example, if at a given time our market for eggs should be Vancouver, then the price paid to the Alberta producer is based on the Vancouver price less the cost of rail shipment to that market.

As is true of many other sections of agriculture, the poultry industry finds a large part of its market in areas outside the province. Here we come into competition with other producing areas on the prairies and in Eastern Canada which for geographic reasons pay lower freight charges. Under the present rate structure eggs shipped out of Edmonton (min. carload 24,000 lbs.) must pay freight amounting to 2.44 cents per dozen to Vancouver, 2.36 cents per dozen to Winnipeg, 5.17 cents to Toronto and Montreal and 5.50 cents to the Maritimes. For export via the Eastern seaboard the charges are a little over .04 cents per dozen on a minimum of 27,500 lbs. The corresponding rates for poultry are 2.00 cents per lb. to Vancouver, 1.95 cents to Winnipeg, 4.18 cents to Toronto and Montreal and 4.42 cents to the Maritimes. In addition, the American poultry market is becoming of

increasing importance to the Alberta producer and here also freight charges form a large element of his costs.

To show that these rates represent actual movements we submit the following table supplied by the Dominion Poultry Services.

Inspected Poultry Shipped Out of Alberta (lbs)

To	1947 No. of cars	1947 Weight (lbs)	1948 No. of cars	1948 Weight (lbs)
British Columbia	59	1,604,645	57	1,439,027
Manitoba	15		14	
Ontario	28		27	
Quebec	39	2,515,408	46	2,574,592
Nova Scotia	2		-	
New Brunswick	2		3	
North West Territories	3	100,897	2	76,512
U.S.A.	7	196,144	78	2,514,069
Newfoundland	5	144,141	1	21,894
Britain (via East Coast)	25	880,811		-
Total	185	5,442,046	228	6,676,094

Shell Egg Shipments out of Alberta - 1947 - 30 doz.cases.

(Min.wt. 24,000 lbs. inter-provincial, 27,500 or 33,000 for export)

To	No. of Cases
North West Territories	2,115
Saskatchewan	5,568
Manitoba	10,240
Ontario	600
Quebec	1,200
Britain	177,889
Total -	197,612

There were no figures available for the 1948 inter-provincial shipments of eggs. However, the Special Products Board in 1948 purchased 119,426 cases of fresh eggs, 198,263 cases of eggs for drying and large quantities of frozen melange for shipment to Britain. We feel that these figures clearly indicate the importance of outside markets to the Alberta poultry industry, together with the increasing importance of this industry to the railroads themselves. A figure of special significance is the increased shipment of poultry to the United States, which is a highly competitive market, and a market we would like to retain, especially since Britain is no longer a buyer of poultry.

Page 1671 follows

Mr. Kapler

Another section of the poultry industry which pays large freight and express charges is the hatcheries. Appendix B shows the increased importance of those operations in Alberta. The hatcheries are concentrated in our larger towns and cities and must move chicks out by express to the rural areas. At the present time the minimum rate on 100 chicks, weighing approximately 12 lbs. is 83 cents.

In addition, the scientific nature of chick breeding has led to an increasingly large inward movement of hatching equipment such as incubators, brooders, generators, etc., as well as chick boxes, chick pads and other supplies and remedies. These are mainly imported from other provinces or from the United States, which means long rail hauls with resultant heavy transportation costs. The equipment from such American points as Springfield, Ohio, moves into Alberta on a combination rate of which the Canadian section is based on a standard mileage rate. We feel that this movement is important enough to warrant a distributing rate from border points similar to that granted the shipping centres in Western Canada.

Finally, some mention should also be made of the movement of feed concentrates and supplements. Although Alberta raises a large percentage of her own feed grain, these other products usually come in from Saskatchewan and British Columbia. Within the province they are shipped from the larger centres to the rural areas by L.C.L. freight and here again freight is of some consequence in production costs.

Present and Future Position of the Industry

We feel that in the past few years we have built up an industry which has become an important factor in maintaining a balanced and diversified agriculture in Alberta. We also feel that it is important that we maintain our present position and not slip back into the previous conditions of unstable production and prices. This lack of stability will react not only against the producer himself, but against the consumer who relies on him for a continuous flow of high quality foods at reasonable prices, an unhoped-for result under an unsettled producer economy. At the moment it would appear that Canada's poultry industry is facing a crisis. Present export contracts with the United Kingdom expire at the end of this year and government sources have been quite pessimistic as to the possibility of renewed contracts except on a reduced scale and at lower prices. This would seem to indicate that early in 1950, as the heavy production season approaches, the poultry producing areas of Canada will be faced with large surpluses and no immediate available markets. The immediate result will probably be a reduction in the price of poultry products. Since costs and particularly freight and express charges are fixed, sharply declining producer profits will obviously follow. This could lead to a return to the old unstable system of production and prices which would have disastrous results on the industry.

Alberta's geographic position in relation to her markets has meant that she has always paid higher transportation costs than most other producing areas. Since the railways were allowed a flat 21% increase on the previous

rates transportation costs to Alberta producers have risen more than those of her more favorably situated competitors. This consequently means that the net receipts of Alberta's producers have suffered a disproportionate decrease. We feel that this clearly illustrates the discriminatory nature of horizontal percentage increases.

We would urge the Commission to examine the effects of this method of increasing rates. Although we realize the practical advantage of this procedure, we feel that it should only be applied if some limit is put on the increases on the longer hauls.

Our interest in this is more than merely academic since the railroads have recently applied for a further 20 percent flat increase which, if granted, would tend to further accentuate the difficulties we are labouring under as a result of the 21 percent increase.

Conclusions:

May we briefly summarize our stand on the question of of transportation rates and the poultry industry.

1. It has required a great deal of time and effort to advance this once unstable industry into its present significant position in the province's agricultural economy. We feel that this has benefitted both producer and consumer.

2. The recent increase in freight and express charges has had a detrimental effect on this growing industry. In addition, as previously pointed out, the nature of the increase meant that the Alberta producer suffered to a greater extent than his counterpart in other provinces.

3. To add to the difficulties the possible loss of the British market makes it vitally necessary to find new outlets for the industry. As these markets will be highly competitive, favorable freight rates will be of increasing

importance to our industry.

4. We feel that the volume of traffic moving across our southern border is sufficiently high to warrant setting up distributing rates from these border gateways.

5. This brief, we believe, has clearly pointed out the constantly mounting contribution our industry has made to railway revenues. Therefore, it is in the interest of the railways to help maintain our present level of production.

Respectfully submitted,

ALBERTA POULTRY PRODUCERS Ltd.

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APPENDIX A

POULTRY AND EGG PRODUCTION IN ALBERTA, 1928-1947

(Quarterly bulletin of Agricultural Statistics)

I.

Year	POULTRY ON FARMS AS AT JUNE 1st, '000	NUMBER OF LAYING HENS '000	TOTAL EGG PRODUCTION 000 (Doz.)
1928	6,631	3,298	24,733
1929	8,011	4,019	30,811
1930	8,202	4,070	31,206
1931	8,259	3,395	28,479
1932	8,467	3,167	26,437
1933	7,624	3,314	27,617
1934	7,844	3,187	26,824
1935	6,466	3,025	25,460
1936	6,899	2,757	22,975
1937	6,817	2,972	24,519
1938	6,965	2,779	23,158
1939	7,800	2,915	24,292
1940	7,779	3,103	26,117
1941	8,461	3,218	28,158
1942	9,547	3,797	34,173
1943	9,988	4,048	37,107
1944	11,588	4,603	41,811
1945	10,552	4,473	42,866
1946	9,793	3,133	33,056
1947	10,916	3,416	37,718

(1) Source: Revised Poultry Statistics - Vol. 40 #3 Q.B.A.S. (Includes Hens, Chickens, Turkeys, Geese and Ducks.)

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APPENDIX B

CHICKS HATCHED IN ALBERTA

1936 - 1948

YEAR	NO. OF CHICKS	PERCENTAGE OF 1936.
1936	1,028,881	-
1937	1,068,056	103.8
1938	1,171,082	113.8
1939	1,394,194	135.5
1940	1,538,597	149.7
1941	1,938,052	188.4
1942	2,631,468	255.8
1943	3,607,372	350.6
1944	5,476,476	532.3
1945	4,917,366	477.9
1946	5,711,423	555.1
1947	7,452,785	724.3
1948	6,265,620	608.3

Source: Annual Report of the Department of Agriculture of the Province of Alberta.

(Page 1679 follows)

Q.
MR. FRAWLEY: You have nothing to add to what you have said, Mr. Kapler?

A. No, I think not.

MR. FRAWLEY: Well, you will answer my friends.

THE CHAIRMAN: Are there any questions?

CROSS EXAMINATION BY MR. O'DONNELL:

MR. O'DONNELL: Q. You have an advantage, Mr. Kapler, in so far as shipments to British Columbia are concerned, over your competitors in more eastern parts of the country?

A. As to that, I might say, perhaps, that Alberta is the eastern end of shipments to British Columbia, particularly in eggs. It does not quite apply to poultry; but I do not think there is very much eggs and poultry going to British Columbia farther east than Alberta.

Q. I ask you whether or not you compete. As you say, at page 3 of the brief, youmention other producing areas on the prairies; but you have not a better rate to British Columbia than those other areas have?

A. We would have, providing there is much shipping done from farther east.

Q. You shipped considerably more into British Columbia; the bulk of your shipments in the domestic market, provincial-wise British Columbia, so far as poultry is concerned - that was the place where you shipped most, was it not?

A. We ship a lot of poultry to British Columbia.

Q. And at page 4 it is set out?

A. That is right.

Q. And in both years, 1947 and 1948; and I ask you if

it is not a fact that you have an advantage over Manitoba and Saskatchewan poultry producers in that particular market, which is your large market, so far as Alberta is concerned?

A. We have.

Q. Yes. Now, I notice that you state that you had lost the British market this year?

A. Our present contract terminates at the end of the year, and we have very little hope of getting a future contract.

Q. And in the circumstances, you turn to other markets, particularly to the American market?

THE CHAIRMAN: The British contract does not expire until the end of this year.

MR. O'DONNELL: Q. Yes. And in the interval, in the expectation of having to find other markets, you turn to the American markets, for instance?

A. They look very poor to us.

Q. But in any event, you managed to get 2,514,000 odd pounds of poultry, according to the table on page 4, into the American market?

A. The United States has a surplus, so far as eggs are concerned; but poultry has been going into the United States.

Q. You picked up - or rather you increased your American market with respect to poultry by approximately 20 times this year?

A. That is right.

Q. The American rates on poultry have increased considerably, more than comparable Canadian rates have. Was

that to your knowledge?

A. I don't know anything about it.

Q. But whatever the freight rate may be, it was sufficient to permit you to increase your poultry market in the United States by approximately 20 times this year over what it was in the previous year?

A. But it was due to a higher price for poultry in the United States.

Q. And likewise, the rate permits you to get right into Quebec, does it not? You have a large market in Quebec?

A. I believe there was.

Q. In poultry?

A. Yes.

Q. And you increased your shipments to Quebec this particular year?

A. This total amount takes inManitoba, Ontario, Quebec, Nova Scotia and New Brunswick.

Q. But of the breakdown of cars of shipments, you had 39 in 1947, and 46 in 1948?

A. That is right.

Q. And you were competing in that market with the people in Manitoba and Saskatchewan, to a certain extent?

A. That is right.

Q. And even with the producers in Quebec and in Ontario; notwithstanding which, you have been able to increase your shipments as shown on your table? And at page 6 you make mention of the fact that the 20 per cent increase was more than of academic interest to you. I think you would agree that the removal of the mountain

differential is a further benefit to you, which is more than of academic interest.

A. Naturally.

Q. You were good enough to give further information concerning the details of your business, when you were examined, two years ago before the Board of Transport Commissioners here. For the information of the Board I would like to make reference to volume 763, at page 9397 and following, where there are other details concerning the poultry and egg business, as set out by Mr. Kapler.

MR. O'DONNELL: I thank you.

CROSS EXAMINATION BY MR. SINCLAIR

MR. SINCLAIR: Q. On page 3 of your brief, the first complete paragraph, you state that:

> "Eggs and poultry again usually move by express or truck since L.C.L. freight shipments are too slow and uncertain......"

What proportion of the eggs move to grading stations by farmers vehicles?

A. There are local grading stations throughout the country, and the farmers deliver their eggs to those stations using their own vehicles.

Q. What proportion would move by rail to the grading stations?

A. You mean the central assembling points?

Q. No, I mean the grading stations?

A. There are no eggs moving by rail to local grading stations. They are delivered locally.

Q. What proportion of eggs move from grading stations

to the assembling points by truck?

A. I do not think I could tell you; if I did, it would be just a wild guess. I could not say.

Q. But as president of this association, surely you might know?

A. I believe the major portion of the eggs, at this time of the year, move by truck from the grading stations to the assembling points.

Q. And what is the average distance from a grading station to an assembling point in Alberta?

A. I would say about, perhaps, 75 to 100 miles.

Q. And you know that in Alberta, express and L.C.L. rates, up to distances of 370 miles, are the same, and that they are truck competitive?

A. What was your question again, please?

Q. I said: You know that express and L.C.L. rates in Alberta are the same up to 370 miles, and are truck competitive?

A. I do not know. I have not taken the trouble to go into all these things.

THE CHAIRMAN: Is that something which applies only to Alberta?

MR. SINCLAIR: No, Mr. Chairman, the same situation exists in the prairie provinces of Saskatchewan and Manitoba.

THE CHAIRMAN: Would you state that again, please?

MR. SINCLAIR: That L.C.L. allows the carload freight shipper and the express shipper up to a distance of 370 miles, the rate being the same; and the rate is truck competitive.

THE CHAIRMAN: Well, if the truck rates should

fluctuate, would the rail rates fluctuate in accordance with them?

MR. SINCLAIR: In two provinces, in Manitoba and Saskatchewan, the truck rates are controlled by a regulatory board. But it would be a matter which the railways would have to go into to see if they could meet the truck competition, if there should be a change in the truck rates from where they had been before. In Alberta, the general rate is approximately the same; but it has been met by the railways.

THE CHAIRMAN: What happens after the 370 mile limit?

MR. SINCLAIR: To these assembling points they do not move eggs L.C.L. or by express because they move out of these assembling points by carload; so there is no movement of traffic beyond that area.

MR. SINCLAIR: Q. Now, further, on page 3 of your brief, Mr. Kapler, you state at the end of the second complete paragraph:

> ".......if at a given time our market for eggs should be Vancouver, then the price paid to the Alberta producer is based on the Vancouver price less the cost of rail shipment to that market."

Would you not agree with me that the producer bases his cost on transportation where there is a seller's market; and that the purchaser bases his cost of transportation where there is a buyer's market?

A. It seems to me that the transportation must come out of the product.

THE CHAIRMAN: You are raising a pretty important

point, Mr. Sinclair, and I wish you would make it clearer.

MR. SINCLAIR: Q. When eggs are in surplus supply at a purchasing point, I suppose the price tends to fall, does it not?

A. Yes.

Q. But when they are in short supply, the price tends to rise?

A. Yes.

Q. Therefore, if the producer put a price on eggs, when they were in short supply, the purchaser would have to take up the cost of transportation, or he would not get his eggs?

A. I do not know if I quite agree with you there. It could be contended that the producers, at all times, take the price the buyer pays less transportation.

Q. But suppose that he decides that he won't sell at 28 cents, and wants to get 32 cents at the assembling point, and suppose that eggs there are in short supply. Whatever be the cost of transportation to any given market, he is concerned in that the purchaser has to absorb that?

A. The nature of the organization which I represent is that it operates on the basis of returning to the producer the price received, less the cost of operating, and freight, and so on.

Q. Quite so, but you make a statement that the producer absorbs the transportation charges, and I am pointing out to you that that depends on the condition of the market in which the sales are taking place, and that it is just a mathematical calculation you are doing. You are not going in behind to see what governs the price.

Page 1684 follows

The CHAIRMAN: In most cases does the price vary according to the length of the transportation?

MR. SINCLAIR: I would say not, sir. It all depends on how short the supply is. They will reach out further and further to get eggs. That applies to all primary products in short supply.

Q. Maybe you don't understand?

A. Well, my understanding is that our price -- taking the Montreal market, for instance, whether short supply or not, the price we receive here is Montreal price less transportation and of course other costs.

Q. Well, you have not gone in behind to see what fixes price; is that right? You have never considered that.

A. Oh, I rather think I have, but still my opinion is that the price we receive is always that price less transportation.

Q. But you are not going to the question that I am putting to you. If you don't know and you don't want to discuss it with me that is all right. I just wondered if your Association had made any studies as to the incidence of the cost of transportation.

MR. FRAWLEY: I think the witness is willing to discuss it. I think Mr. Sinclair should not say, "If you are not willing to discuss it with me." He is not just agreeing with you in everything you say.

MR. SINCLAIR: I don't think that you need to get up, Mr. Frawley. I have been very fair with the witness.

MR. FRAWLEY: Oh, you are very fair, but you don't mind my getting up, I hope.

THE WITNESS: Well, my answer is, there is no other answer to me than that we receive the price the consumer pays less all costs, transportation costs.

Q. I will put this one question to you ---

A. And I think that holds good..

Q. Have you or your Association ever made economic studies on the pricing of eggs?

A. I haven't.

Q. Has your Association?

A. I have been too busy producing them. Our Association of course has studied freight rates; they naturally have to, in selling here, there and so on. To sell to the best advantage they must take into consideration transportation.

Q. You have never made a study of the economics of the pricing of eggs?

A. I have never made a very deep study of it. I am of course interested by virtue of the fact that I produce quite a lot.

Q. Now, Mr. Kapler, on page 4, Mr. O'Donnell drew your attention to poultry, and he drew your attention to the pounds sold in 1948 in the American market. Now, that is approximately 40 per cent of your total production; it is 2,500,000 against 6,600,000, that is, about 40 per cent; correct?

A. I haven't worked it out, but I ---

Q. Now, where do you ship in the United States, what points?

A. Seattle, Washington.

Q. Do you not ship down to California

A. I do not recall that I know of any shipments going to California.

Q. Well, I suggest to you that you shipped all the way in 1948 from California to the New England States, and one of your heaviest markets was Boston; is that not correct?

A. Our heaviest market in 1948 was Seattle, Washington, and other points in Washington.

Q. You did not ship to Boston, then?

A. We might have; I am not prepared to say; I am not acquainted with all the details in the office, but I do know that we sold the major part of the poultry that we shipped out, speaking about our organization, to the Washington Co-op in Seattle.

Q. My figures show you shipped five cars there out of a total of 33.

MR. FRAWLEY: Will you tell the witness where your figures came from, Mr. Sinclair? He might know.

MR. SINCLAIR: From our records, Mr. Frawley; this is C.P., that is all.

MR. FRAWLEY: The waybill study?

MR. SINCLAIR: The waybill study? Oh, no, Mr. Frawley. That takes too long, as you know.

Q. I would suggest you ship all across the United States?

A. Very little outside of Washington. I am prepared to say that we ship at least a million and a

half pounds to Head Office of the Washington Co-op in Seattle.

Q. You must be giving that business to the C.N.R. Let me suggest to you that the rate to the New England States from Edmonton is $5.13 per hundred on poultry; is that correct?

A. I would not be prepared to say whether it is correct or not.

MR. SINCLAIR: Would you accept my statement?

MR. FRAWLEY: Yes, if it came from Mr. Buckingham we will accept it.

THE WITNESS: I won't argue about it.

MR. SINCLAIR: Q. What is your rate to Eastern Canada per hundred on poultry?

A. On poultry?

Q. Yes.

A. Montreal?

Q. Yes.

A. $3.67 per hundred pounds, 4.18 per pound.

Q. Edmonton to Toronto?

A. Toronto?

Q. Now, you show in here on page 4 that that is 4.18; you are taking into account that you are carrying certain boxes and wrappers; is that right?

A. What's that again?

Q. At the bottom of page 3, where you make these comparisons. For instance, you show these rates -- take, for instance, on poultry, 2 cents per pound to Vancouver; now, the rate is$1.75 a hundred, so in arriving at $2.00 per hundred you must have taken into account something

more than freight charges or else related the freight charges to the actual amount of poultry; what did you do?

A. I would not know, unless it had to do with refrigeration or something in shipping.

Q. Well, all these rates here, are they just freight rates, on this latter part of page 3? Are they freight rates, or are they something in addition to freight rates?

A. I believe it is the cost of transportation, which takes in everything connected with shipping by freight.

COMMISSIONER INNIS: May I interject, Mr. Sinclair, to clear up this point as to corresponding rates at the bottom of page 3?

Q. When you say corresponding rates, you do not mean export rates?

A. I don't think so. To tell the truth, I am not quite qualified to work out the details of this.

MR. FRAWLEY: Q. Mr. Kapler, is there someone here who could answer Dr. Innis' question?

A. Here?

Q. No; I mean in Edmonton, perhaps.

A. Oh, yes.

MR. FRAWLEY: Because we must clear that up for you, sir.

THE WITNESS: There is a man here with me who might be able to give you an explanation of those figures.

MR. FRAWLEY: Then maybe this would be a good time to clear it up.

Q. Who is the gentleman?

A. Would you be able to answer that?

MR. SINCLAIR: Well, finish with this, and let him come up after. Let us not have this jumping in and out, like we did yesterday.

MR. FRAWLEY: I am afraid I am misunderstood.

COMMISSIONER INNIS: Well, that can be cleared up.

MR. FRAWLEY: My friend misunderstood me.

THE CHAIRMAN: The principal point is whether the expression "the charges" means the freight rates alone or freight rates and something else.

MR. FRAWLEY: Yes, I understand the problem, and I would be very glad to have it cleared up now, but ---

THE CHAIRMAN: Well, we shall go on for the present, Mr. Frawley.

All right, Mr. Sinclair.

MR. SINCLAIR: Q. Mr. Kapler, you state that for export via the eastern seaboard the charges are a little over 4 cents a dozen on a minimum of 27,500 pounds. Now, you have a 33,000 pound minimum to eastern seaboard for export at a lower rate, have you not?

A. These figures were compiled by the office. I would like to explain that I farm out of Strome, and I am not familiar with all the angles entering into these minimum rates and so on.

Q. Well, my information, sir, is ---

A. So I am not qualified to give a very good answer to those questions.

Q. My information, sir, is that most of these rates are not just the freight rate; there is something more than the freight rate, or else they have been

adjusted on the actual commodity that is there less the packing and boxes, and possibly the witness would be agreeable to having his office send to the Commission exactly how these rates are made up.

MR. FRAWLEY: I already made an offer as to that.

MR. SINCLAIR: I am sorry, Mr. Frawley.

THE WITNESS: I could say this much, Mr.Chairman, that the figures quoted here have nothing to do with packing and boxing and so on; they have to do entirely with transportation, or they would not be here.

MR. SINCLAIR: I would suggest, sir, that possibly Mr. Frawley would arrange to have somebody write in saying how these rates are made up.

THE CHAIRMAN: Yes; well, that has been offered. Better go on with something else.

MR. SINCLAIR: Now, I believe my friend Mr. O'Donnell drew the Commission's attention to the fact that Mr. Kapler had appeared two years ago in Edmonton, and gave evidence. Now, at volume 763 of the transcript in the 21% case, at page 9401, Mr. Kapler stated:

> "Increased freight rates will have such disastrous results on egg and poultry production in Alberta that the Board's most careful consideration is warranted before authorizing such."

Q. Do you remember making that statement, Mr.Kapler?

A. I do not remember the exact words, but I won't dispute it.

Q. Well, in the budget speech of the Honourable E. C. Manning, which is Exhibit 20, at page 4 it is stated:

"Poultry products estimated at $24,675,000 were some $3,500,000 in excess of the value last year."

I would just like to point out to the Commission that the disastrous results that were envisaged did not transpire.

Just one other point, sir, to which I would like to draw attention. In Appendix A I notice that the statistics for 1947, which are received from the bulletin of agricultural statistics, show egg production at 37,718,000, and in the Department of Agriculture of the Province of Alberta this figure is shown at 42,000,000 dozen, so that there was an increase over that figure, and it made it up to close to the best year that they ever had.

That is all, thank you.

This is a very interesting report, the Annual Report of the Department of Agriculture of the Province of Alberta, and Mr. Frawley possibly would be ---

MR. FRAWLEY: How many of those would you like?

THE SECRETARY: That will be Exhibit 22.

MR. FRAWLEY: How many copies would you like, Mr. Hunter?

THE SECRETARY: Five.

EXHIBIT NO. 22 -- Annual Report of the Department of Agriculture, Province of Saskatchewan, 1948.

EXAMINED BY MR. COVERT

Q. Mr. Kapler, would you just turn to page 6 of the brief ---

MR. SINCLAIR: It is the most recent report that is available.

MR. COVERT: Q. In the second paragraph from the last you urge the Commission to examine the effects of this method of increasing rates. You are referring there to horizontal increase?

A. That is right.

Q. And you say:

"We feel that it should only be applied if some limit is put on the increases on the longer hauls."

Do you see that? It is the second last paragraph at the bottom of page 6. I wonder if you could elaborate on that and explain just what you mean by that -- putting some limit on the increases on the longer hauls?

A. Well, the thought was this, that a horizontal increase in freight rates further east -- supposing we were paying a dollar, and out here two, an increase of 20 per cent would be double here what the increase is there, and we feel that the increase should not be so great, it should be a graduated increase, or not so great for the longer distance as it is ---

Q. I see; in other words, you would like a gradu ;ed increase on long distances?

A. Or a ceiling at the long distance, so that it could go up so high and no farther. A flat increase certainly hits us worse at the long distance, and we are the longest distance haul from Montreal, and, as I attempted to point out a while ago, the longest distance from Vancouver, because we are the farthest east province that supplies Vancouver, which is a limited market, and does not require the product very much farther east, so

we are the longest distance east and west as far as poultry products are concerned.

Q. Now, there was one other point, on the same page, the paragraph at the top, where you refer to the effect that freight rates have on the product and the fluctuations in the price of the product. I was wondering if your Association or Company had ever prepared any statistics to show the costs, the various costs and percentages?

A. Do you mean cost of production or ---

Q. Yes.

A. We have not gone thoroughly into that, although we have a very good idea of the relationship of costs in so far as production is concerned.

Q. I think it would be interesting to the Commission if you took the various items of cost and showed the percentage and compared the freight to those other costs.

You say that freight is a pretty fixed and stable cost, it is always there, and you say that it forms a large part of the price of your product. Well, if you could compare that with other items of cost that go into your product and see over a period of years which fluctuates more -- have you any statistics like that at all to furnish to the Commission?

A. No, but I could give you an answer, I think, that might -- your question is quite clear. I would say that feed was the major item of cost, and it would be a close tie between transportation and labour which came second.

Q. Then in that case would you say that labour costs

have fluctuated less or more than freight costs?

A. Oh, I think that with the increase in freight we have had I could say that freight has fluctuated a little more than labour.

Q. What I am trying to bring out is that when you make statements like this in your brief, if you could furnish some statistics or records that you have kept, to show the comparison, I think it might be very helpful.

A. This paragraph I think refers to a fluctuating market, which could occur again at the end of this contract.

Q. For instance, the price, the market price, has probably fluctuated a great deal more than the freight?

A. Yes, quite right.

Q. That is all, thank you.

COMMISSIONER INNIS: Q. I was wondering whether you could supply the Commission with some indication as to fluctuations in prices say of eggs throughout a year; what would be the range?

A. Under the British contract there have been two prices, a spring and summer, and a fall and early winter.

MR. FRAWLEY: Speak up, please, Mr. Kapler.

THE WITNESS: There has been one change in price in the year, from the fall and early winter to the spring and summer.

COMMISSIONER INNIS: Q. What about fluctuations in volume?

A. The volume of course is very heavy during the spring months -- that is the surplus period -- and they go to the spring and summer price, which is around seven or eight cents less than the winter months.

MR. FRAWLEY: Dr. Innis, I am sure that Mr. Kapler's organization would be glad to do any follow-up that you suggest.

COMMISSIONER INNIS: Well, I was wondering whether they could give us any indication as to the fluctuations. A good deal of emphasis is given to the fluctuating period, and I wondered whether you could give us any indication of fluctuations during a period when you were not dependent upon a contract agreement.

MR. FRAWLEY: Q. You could have some time to do it, Mr. Kapler, and I could file it with the Board later, even two or three weeks from now. Will you consider that?

A. We will do that.

MR. FRAWLEY: Now, there was this other question you raised, Dr. Innis, and there is a man here who I think can explain these figures at the bottom of page 3, and if he can I suggest that now is the time to do it.

COMMISSIONER ANGUS:Q.Mr. Kapler, is it your general view that when the Board of Transport Commissioners authorizes or orders a horizontal increase in rates there should then be some procedure by which industries which feel that they cannot stand that increase because they are in a peculiar position should be able to ask for review?

A. I believe there is merit in that suggestion. We are facing a pretty critical period of time. We are going to have, without an export market, a very great surplus, and we are just going to face disaster in the industry if we cannot find markets at a price that will

stand the cost, and it is a very serious outlook. We are very much concerned with any increase in costs, in the face of a future in which there is definitely going to be a drop of price.

Q. Do you think that an industry in an exceptional position, as you say you are, should have some procedure by which it can ask for special relief?

A. I do not like to ask for any advantages over other branches of agriculture, but there is some merit in the idea of an industry that might get in distress having some advantage that way.

MR. FRAWLEY: Q. Mr. Kapler, Mr. Cook is a member of your organization, is he?

A. That is right.

MR. FRAWLEY: Mr. Cook, would you just come inside the railing?

ALBERT W. COOK, called

EXAMINED BY MR. FRAWLEY

Q. Mr. Cook, I understand that you are the manager in the Calgary plant of Alberta Poultry Producers Limited?

A. That is true.

Q. Now, attention has been called to the sentence at the bottom of page 3 which reads as follows:

> "For export via the Eastern seaboard the charges are a little over 4 cents per dozen on a minimum of 27,500 lbs. The corresponding rates for poultry are 2.00 cents per lb. to Vancouver, 1.95 cents to Winnipeg, 4.18 cents to Toronto and Montreal and 4.42¢ to the Maritimes.

In addition, the American poultry market is becoming of increasing importance to the Albertta producer and here also freight charges form a large element of his costs."

Now, have you got some explanation to give us with respect to that?

(Page 1699 follows)

A I think what is included in those charges is different to what this gentleman over here is talking about as icing and heating charges.

THE CHAIRMAN: Q. Pardon?

A Icing charges for icing the poultry.

Q Not only freight rates then?

A It is icing charges on top of that.

Q On top of the freight rates?

A Yes.

MR. FRAWLEY: Q. Which is the figure which has included in it icing and heating charges?

A I would think both those figures.

Q Call my attention to them, please. Which ones?

"For export via the eastern seaboard the charges are a little over 4 cents per dozen."

What about that charge?

A That would include heating or icing charges.

Q Can you give us an idea of what proportion of the 4 cents would be icing and/or heating?

A I cannot give you the breakdown without checking it at the office.

Q Is it mostly freight?

A Mostly freight, yes.

THE CHAIRMAN: Pardon me. Mr. Sinclair gave us the freight figure on this Vancouver rate, which is given here at 2 cents per pound. You said it was what?

MR. SINCLAIR: 1.75, 1-3/4.

THE WITNESS: I think the one-quarter cent would be for icing or heating charges on top of the freight rate. In the transportation of eggs and poultry it is necessary,

with dry weather such as this, that the cars be iced, and in the wintertime if you are shipping eggs naturally you need heater service.

MR. SINCLAIR: Q. And that rate will be going down to 1.52 effective the first of July. Is that right?

A I don't know anything about that.

Q The mountain differential.

MR. FRAWLEY: Q. Is there heating and icing in the 1.95 cents to Winnipeg?

A I think there would be.

Q And the same with respect to the 4.18 cents to Toronto?

A Yes.

Q And the 4.42 cents to the Maritimes?

A That is right.

MR. SINCLAIR: Maybe it would be helpful to the Commission if I were to give information as to the freight rates. In the 2 cent figure it is 1-3/4. In the 1.95 cent figure the freight rate is 1.71 to Winnipeg. In the 4.18 figure it is 3.67 to Montreal and Toronto, and in the 4.42 figure to the Maritimes it is 3.88. Those are the freight rates.

THE WITNESS: I am sure those additional charges would be icing and heating charges.

MR. FRAWLEY: Thank you, Mr. Cook.

MR. SINCLAIR: The same applies to the figures above because they are all out too on the freight charge.

MR. FRAWLEY: Q. Mr. Cook, would you mind looking at that on the same page. Let us clear that up. It reads:

"Under the present rate structure eggs shipped out of Edmonton (min. carload 24,000 lbs.) must pay freight amounting to 2.44 cents per dozen to Vancouver", and so on.

A Is that on the same page?

Q Page 3, just above the figures we have been looking at.

A Oh, yes, I see.

Q 2.44 cents to Vancouver, 2.36 cents to Winnipeg, and so on.

A That would include icing and heating charges too.

MR. FRAWLEY: Thank you.

MR. O'DONNELL: With reference to the question Dr. Angus put may I draw the attention of the Commission to the remarks of the Chief Commissioner in the 21 per cent case concerning that particular point. I refer to page 65 and also page 46. The observation is made by the Chief Commissioner that while there are a number of individual cases where discrimination is alleged to exist, and it may be that some of those require special and separate consideration on another occasion - he discusses the effect of that.

MR. FRAWLEY: You will find too in the argument made by provincial counsel to the Board in the 30 per cent case that very point was discussed. We raised the question with respect to long haul traffic and certain kinds of industry, and argued that in lieu of the horizontal increase there should be certain other things done, either in lieu of or along with it.

MR. O'DONNELL: I should have gone on to say that the Chief Commissioner indicates that there is just that machinery, and that there is procedure for considering a case where a percentage increase might have a result that would be discriminating.

COMMISSIONER ANGUS: Has any application been made by this industry to take advantage of that?

MR. O'DONNELL: I do not think so.

MR. FRAWLEY: No application by this industry.

MR. O'DONNELL: I do not think there was any application by anybody.

MR. FRAWLEY: These industries were not individual applicants at all.

MR. COVERT: The next submission is that of the Lloydminster Petroleum Association.

HOWARD DOUGLAS WATSON, Called

EXAMINED by MR. FRAWLEY:

Q You live in Lloydminster?

A Yes.

THE CHAIRMAN: What is this brief?

MR. FRAWLEY: This is the brief of the Lloydminster Petroleum Association.

Q Your full name is Howard Douglas Watson?

A Yes.

Q You say you live in Lloydminster. Is your post office Lloydminster, Saskatchewan, or Lloydminster, Alberta?

A The post office is in Saskatchewan. I live in Alberta.

Q The post office is in Saskatchewan but you live in Alberta?

A Yes.

Q You are the Secretary of the Lloydminster Petroleum Association?

A Yes, sir.

Q Tell us something by way of introduction about the Association, how many companies and syndicates it comprises.

A There are about eighty-five syndicates and companies in our Association.

Q And in volume what percentage of the production does your Association cover?

A Approximately 72 per cent in March.

Q That is as to volume. In number of operators how many are included in your Association percentagewise?

A About 85 to 90 per cent.

Q With that brief introduction, will you just proceed to read your brief. My friends are asking whether or not you are producing heavy crude oil. I think that appears in the brief?

A Yes.

Q Would you read the brief, please.

A The Lloydminster Petroleum Association is grateful for this opportunity to appear before you and submit to this Commission a brief which we believe will illustrate one of the many problems which Canada must face in the future development of one of its natural resources - namely, petroleum and petroleum products - and the very important effect which freight rates have on such development.

We are of the opinion that the appointment of your Commission meets a long felt need for an examination of the transportation problems affecting the free movement of commodities within this Dominion. We recognize that many of these problems are beyond the powers and jurisdiction of the Board of Transport Commissioners for Canada and we have, in this submission, endeavoured to deal particularly with such mat ers affecting the economic development of our industry.

The membership of the association includes most of the producing companies and syndicates of the Lloydminster Field. It includes also numerous firms and individuals associated with or interested in the continued expansion of the heavy oil industry and the Lloydminster region in particular.

At the present time we are financially supported by over 70 per cent of the oil production of the Field, and this figure is rising steadily. It is estimated that the total capital invested in the production and refining of Lloydminster black oil to date exceeds 15 million dollars, invested by 15,000 people.

Q If I may interrupt, it has been suggested that we might save reading time by my making a very brief summary, which I have to do without the slightest notice. Then we could proceed immediately with the cross-examination, and it might help to save time.

THE CHAIRMAN: Are there conclusions given here outlining remedies suggested by the association?

MR. FRAWLEY: There is hardly anything that is called a conclusion.

THE CHAIRMAN: I see that the third paragraph

on page 10 begins, "In conclusion we earnestly request", and so on.

MR. FRAWLEY: Yes, that isvery good, if I may say so. I think that is the main point of the brief. These people have production and they have no market. They say the Pacific coast is their market, and they give some figures on pages 8 and 9 which indicate the problem they have to face in competition from waterborne crude from California at Pacific coast terminals.

THE CHAIRMAN: Do I understand that they are solely concerned with the westward shipment?

THE WITNESS: We are also interested in eastward shipment.

MR. FRAWLEY: Q. You are also interested --

A In eastern markets.

THE CHAIRMAN: The paragraph on page 10 begins:

"In conclusion we earnestly request the Royal Commission to recommend to the government of Canada that immediate relief be afforded to the Heavy Oil Industry by reducing transportation costs to the Pacific coast terminals where there is a definite possible market, also to other areas of Canada where imported fuels are consumed in large quantities."

MR. FRAWLEY: "Where imported fuels are consumed in large quantities."

THE CHAIRMAN: The second part refers to other areas of Canada.

MR. FRAWLEY: Q. What are they?

A There is a possibility of a market there but we

don't know how great it is.

THE CHAIRMAN: Can you say how far east that extends?

THE WITNESS: The head of the lakes.

MR. FRAWLEY: Q. Mr. Watson, is that a sufficient summary of the brief to permit cross-examination to continue?

A I guess so.

(The following is the balance of the brief of Lloydminster Petroleum Association)

The greatest percentage of this investment is financed by Canadian capital. One of the results of this oil development has been the steady growth of the town of Lloydminster. The population of this town has risen steadily from approximately 1800 people in 1946 to 3366 in September, 1948, and is now estimated at over 4000 people.

This Association was organized in 1946, but it is interesting to note that it was not financially supported on a basis of oil production until late in 1948, when it became necessary, due to marketing conditions, to cut back or pro-rate production.

The Lloydminster Field straddles the Alberta-Saskatchewan interprovincial boundary midway between Edmonton and Saskatoon and is served by the two great railways of Canada. The production at the present time is fairly evenly divided between the two provinces, about 55% of the oil being recovered from the Saskatchewan and 45% from the Alberta side.

To date, there are commercial oil wells in an area 32 miles south, 8 miles north, 12 miles west and 14 miles east of the town of Lloydminster. Recently a well drilled thirty miles east of Lloydminster encountered commercial oil sands. Up to the end of 1948, 400 wells had been drilled in the area, 255 of which are classed as commercial oil producers, with a further 20 wells waiting to be placed on production. The average daily production of all producing wells is approximately 31 barrels per day, which means, if all 275 wells were producing at capacity, a minimum of 8500 barrels of oil

would be produced each day. Further, the boundaries of the above outlined area, where commercial production is already an accomplished fact, enclose some 665,600 acres. Taking only 10% of this as productive of oil, and taking 5000 barrels as the amount of oil recoverable from an acre, there would be some 332 million barrels of oil recoverable in the above area. The recovery of only 5000 barrels per acre is considered conservative, as there are already wells in the field which have produced between 40,000 and 50,000 barrels in the past four years and on 10 acre spacing. Actual production to date is given in the following tables:

PRODUCTION

1939-1944	11,825)	Alta.Petroleum Ind.1947
1945	44,829)	P. & N.G.Cons. B'd.,Calgary
1946	213,061)	and Sask.Oil & Gas Dev.1947
1947	844,353)	Dep't.Nat.Res.& Ind.Development, Regina.
1948	1,485,788)°	Meanwell Accounting Service
	2,599,856	

1948 - By Month°

	Wells	Net Barrels	Daily Ave.
Jan.	131	119,101	3842
Feb.	127	108,217	3732
March	129	97,360	3141
April	136	72,191	2406
May	148	108,029	3485
June	156	141,258	3708
July	168	167,685	5408
August	185	168,546	5437
Sept.	186	153,858	5129
Oct.	195	136,116	4391
Nov.	179	132,793	4364
Dec.	155	80,661	2602
		1, 485,788	

1949°

Jan.	146	97,239	3136
Feb.	141	94,256	3366
March	146	109,950	3547
April	183	144,561	3818

Note: Production curtailed at end of September, 1948, due to restricted markets.

The type of oil produced is a heavy grade crude being on average 15 degrees A.P.I. gravity. Its great value lies in the superior road asphalts and high B.T.U. industrial fuel oils which may be refined from it. Because of this it is best suited to compete for industrial rather than domestic markets.

Its marketing problems, therefore, are much different than those of the light oil fields of Leduc, Turner Valley and Red Water, Alberta. These oils produce high priced light grade products, whereas the Lloydminster oil is best suited for the lower grade petroleum products, asphalt and fuel oil. The two oils, therefore, largely supplement one another in supplying products needed for the Prairie markets.

The preceding tables show that 1946 production was quadrupled in 1947 and that the 1948 output was nearly double that of 1947. The best production rate reached thus far was in August, 1948, when daily production averaged 5437 barrels. In April of 1948 production exceeded the market demand and wells in marginal areas of the Field ceased operation. In October all producers voluntarily cut back production because of the marketing conditions. Markets are available on the prairie for about two months in the summertime for present production of the Field when ashphalt sales are at peak, but during the remainder of the year other outlets must be found. Restricting production and shutting in of wells is a very serious matter in this Field as it nearly always results in the sanding up of the wells, requiring expensive servicing operations to place them back on production.

This situation is all the more serious when it is realized that, given an adequate market, production could, on the basis of present proven acreage, reach a total of 25,000 barrels per day within a period of from twelve to eighteen months.

This situation then is magnified many more times when it is shown that this already proven area where oil is now being produced to the limits of the available market, is but the hub of a vast area where commercial production of black oil can be confidently predicted or where it is already proven. Ever since development of the Field began it has been continually expanding in area. No limits have yet been reached, and if we include (as we should if we are to consider the matter from a national standpoint) the area of the black oil producing formation of which the Lloydminster field is the hub, we must include Wainwright, 70 miles away; Vermilion, 40 miles away; and possibly McMurray, 250 miles away.

It is well known that the so-called McMurray tar sands contain the largest known reserve of oil in any one area in the world. Estimates of the amount of oil in these bituminous sands range from 100 to 250 billion barrels.*

The possibilities of finding further deposits of this type of oil are very great in view of the exploration now taking place throughout the four Western Provinces. The chances are also improved by virtue

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* Canada, 1949: Article by Dr. G.S.Hume, Chief Geological Survey of Canada, Department of Mines and Resources, Ottawa.

of the fact that this oil is presently found in most areas, at relatively shallow depths of between 1700 - 2400 feet, reducing the expenditure that would be required for exploring deeper horizons.

It would, therefore, appear that if the transportation and marketing problems are not investigated with a view to giving some definite relief, the situation will become much worse than it is today. The industry is continually investigating the possibility of increasing markets but is handicapped considerably due to high transportation costs.

The building of the proposed pipe line from Edmonton to Regina, and possibly to the Great Lakes, will afford no relief to our Marketing problems unless it is possible to blend this type oil with the higher grade oils to give a product which is acceptable to the refineries. The marketing, therefore, becomes a problem of rail transportation.

Since the industrialization of the prairie region is in the early stages and the present production of heavy oil is more than sufficient to meet the demand in this area, it becomes necessary to seek markets elsewhere.

British Columbia appears to be the closest market for this type of oil where it could compete with imported crude. There are no oil fields on the Pacific Coast in Canada and all oil used in British Columbia is imported, the largest percentage being from California and some from Venezuela.* In 1948 consumption

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* Monthly Report on Refined Petroleum Products in Canada, December, 1948; Dominion Bureau of Statistics, Ottawa.

of heavy fuel oil in British Columbia amounted to 5,976,098 barrels. Of this amount 2,711,727 barrels were imported as heavy fuel oil, the remainder being refined from foreign crude. With the proposed expansion of the pulp and paper and also the aluminum industry in the province, the potential market will be considerably increased within the next two or three years.

By reason of distance and consequently the high freight charges, the producers are unable to reach this market. The present published freight rate on crude oil from Lloydminster to Vancouver is $1.52 per cwt. (C.P.R. Tariff W.160 C.) This is on a basis of fifth class, no commodity rate having been published to date. Shipping to Vancouver at this rate would result in the following price for a barrel of crude at that point:

Crude price at Lloydminster	$1.48
Freight - 336# at $1.52 cwt.	5.11
Unloading charges	.03
	$6.62

However, under the provisions of the ruling of the Board of Transport Commissioners, file 38555, August 22, 1934, (24 JOR&R 197), maximum rate on Canadian proportion of international through rates on crude oil was restricted to 40 per cent of distributing rate (5th class) from international boundary to destination. This percentage has also been generally followed in commodity rates published between points in Western Canada. If the rate to Vancouver was reduced 40 per cent of present rate, the price for a barrel of crude at Vancouver would be:

Crude price at Lloydminster	$1.48
Freight - 336# at $ .61	2.05
Unloading charge	.03
	$ 3.56

This is above the posted price for 15 - 15.9 degree gravity crude oil in Vancouver, which was $2.659 in February, 1949, shipped from California.

Considerable savings in American dollars would result if these importations could be replaced by Lloydminster crude. Using the posted price of $2.659 given above, the saving on the 1948 importation of the heavy crude into British Columbia alone would be approximately $7,210,482.00.

It is rather a strange contradiction that the Canadian public has been forced to curtail the use of certain American food stuffs not available in this country in order to stabilize the Canadian dollar to support the United States dollar exchange, whereas heavy oils are imported while we have a plentiful supply inthis country.

In addition to the Pacific Coast a potential market exists at the head of the lakes where 3,220,298° short tons of bituminous coal were imported into Canada, and also Central Ontario where 17,774,268° tons of bituminous coal were imported, in 1948.

Because of its high B.T.U. content Lloydminster oil should be in a position to compete for some of these markets, possibly not in a large way, but even a small market would assist materially in giving relief to our situation.

There has been such a large investment in this industry, and since there is such a great reserve which

would provide a large volume of traffic - we believe it is in the interests of the economy of Canada that every effort be made to reach these markets.

When similar circumstances prevented the coal industry from marketing its products, assistance was given by the dominion government to reach the existing markets.

We believe adjustments are necessary to compensate for the inequalities of distances and markets if this industry is to survive and contribute its rightful share to the economy of Canada.

In conclusion we earnestly request the Royal Commission to recommend to the government of Canada that immediate relief be afforded to the Heavy Oil Industry by reducing transportation costs to the Pacific Coast Terminals where there is a definite possible market, also to other areas of Canada where imported fuels are consumed in large quantities.

We recognize the fact that the railways of Canada are entitled to receive rates which would cover operating costs and allow a fair return on invested capital. We are not sufficiently conversant with these matters to suggest that the railways should bear the full cost of reduction in rates necessary to allow our product to be marketed in competition with foreign imports. However a greater density of traffic would materially assist the railways in reducing the cost of transportation and a greater production of heavy oil would give additional traffic to overcome the present low density.

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[o] Monthly Report on Coal and Coke Statistics for Canada, December, 1948. Dominion Bureau of Statistics.

Should your Commission, after a thorough investigation of these matters, decide that the railways could not reduce rates to the extent necessary to enable us to reach these markets, we respectfully suggest that you recommend to the government that assistance be afforded this industry similar to that given the coal industry to enable them to market their products in distant markets.

CROSS-EXAMINATION by MR. EVANS

Q I have not very much to ask, but will you be good enough to turn to page 8, the last half of the page. There is a suggestion there that the railways customarily quote a rate equal to 40 per cent of the 5th class distributing rate. Now, that has generally been done throughout western Canada, has it not?

A Well, I am not in a position to answer that, but I believe we have a witness who can.

Q I would be glad if you have a traffic witness.

MR. FRAWLEY: I think we will have to do it that way. I will ask Mr. A. R. Gordon to answer the question.

MR. EVANS: I will ask the reporter to read the question.

(Reporter reads:)

"Q. I have not very much to ask but will you be good enough to turn to page 8, the last half of the page. There is a suggestion there that the railways customarily quote a rate equal to 40 per cent of the 5th class distributing rate. Now, that has generally been done throughout western Canada, has it not?"

MR. A. R. GORDON: That is quite correct. There are a few exceptions.

THE CHAIRMAN: The statement here is "from international boundary to destination."

MR. EVANS: I was going to ask that. That has been done also from international boundary points?

MR. GORDON: Yes.

MR. FRAWLEY: For the record, the answers are being made by Mr. A. R. Gordon, traffic supervisor, Department of Railways and Telephones, Government of Alberta.

MR. EVANS: I wanted somebody from the industry.

MR. FRAWLEY: Mr. Gordon assisted in the preparation of the brief.

MR. EVANS: Do you know about that industry? Are you familiar with all aspects of it?

MR. GORDON: I would not say I am familiar with all aspects, but I have done some work with the Lloydminster Petroleum Association on this problem of transportation, and I have some familiarity.

MR. EVANS: Do you speak with authority from that association?

MR. GORDON: Yes.

MR. FRAWLEY: The President is here. The answer is yes from the President of the association.

THE CHAIRMAN: Then Mr. Gordon is engaged by the government of Alberta?

MR. FRAWLEY: Mr. Gordon is a permanent employee of the government of Alberta.

MR. EVANS: It is pretty hard to get answers

binding on the industry from a government employee. Perhaps the President of the company would like --

THE CHAIRMAN: What is the question addressed to Mr. Gordon now?

MR. EVANS: I was leading up to a question which I intended to put to him. The movement of oil, which is made on this special rate equal to 40 per cent of the 5th class distributing rate, is usually to refineries?

MR. GORDON: Yes.

THE CHAIRMAN: Is what?

MR. EVANS: To refineries. I understand that is a prerequisite to the application of such rate?

MR. GORDON: Yes.

MR. EVANS: With regard to the shipment of Lloydminster crude to British Columbia, is it proposed that that all be made to refineries?

MR. GORDON: Yes, the movement that is proposed is all to be made to refineries. My information is it is for conversion to bunker sea fuel oil at refinery.

MR. EVANS: And it is such a movement as would in the ordinary course receive the benefit of that rate about which I am speaking?

MR. GORDON: Yes.

MR. EVANS: Q. My next question is to Mr. Watson. You setout in a little table at the bottom of the page the crude price at Lloydminster with freight figured at 61 cents per 100 pounds, and the resulting cost per barrel is $2.05, an unloading charge of 3 cents, and the total is $3.56. You say that would be the result if the industry at Lloydminster had the benefit of this

special rate?

A Yes, sir.

Q Is that what the industry at Lloydminster wants today?

A As we point out on page 9, that would still be too high for us to reach the coast and compete.

Q What you are saying is that 61 cents would still be too high?

A That is right.

Q Your view is that the crude price of $1.48 plus the transportation cannot be any higher than the figure of $2.66, which is the price of your competitors delivering oil at Vancouver?

A Yes, sir, at the present time.

Q And you are not prepared as an industry to absorb any increase over your competitor's price at Vancouver?

A I do not think we can very well. Some wells are operating on a more or less marginal basis now.

Q So in effect what the industry has to have is a rate, either through action of the railways to absorb that, or a subsidy from some government which may be willing to subsidize the industry?

A That is correct.

Q That is to say, the industry is now taking the position that it cannot absorb any amount over and above its competitor's price delivered by water at Vancouver?

A That is right.

MR. FRAWLEY: That position is made rather clear by the very last paragraph of the brief which reads:

"Should your Commission, after a thorough investigation of these matters, decide that the railways could not reduce rates to the extent necessary to enable us to reach these markets, we respectfully suggest that you recommend to the government that assistance be afforded this industry similar to that given the coal industry to enable them to market their products in distant markets."

CROSS-EXAMINATION by MR. O'DONNELL

Q Mr. Watson, this oil, heavy as it is, has a very restricted market, has it not?

A Yes.

Q I note on page 9 you say that in addition to the Pacific coast a potential market exists at the head of the lakes. You have never in fact asked for a rate to the east, have you?

A No, we have not.

Q And I would suggest that was because of the fact you had in fact no market in the east. That is correct, is it not?

A Yes.

THE CHAIRMAN: To whom should application be made for a rate?

MR. O'DONNELL: To the railways. That is all I have.

CROSS-EXAMINATION by MR. COVERT

Q The main basis of your argument seems to be the conservation of American dollars; is that right?

A Yes, we were trying to bring that out.

Q Then if the need for conservation ever disappears your argument will disappear? Is that right?

A You mean if the railroads disappear?

Q No, if the need for conservation of American dollars disappears then what would the main basis for assistance of this kind be?

A We would still need our markets to keep the field developing.

Q Do you suggest this industry is of such national importance that it should have assistance of this kind, a subsidy, or special low freight rates?

A We have tried to point out in our brief that this field is spreading out quite rapidly, and heavy oil is found in quite a large area, not only at Lloydminster.

Q How many people are employed at Lloydminster? The total population of the town is about 4,000.

A This would be a rough estimate; I would say about 1,500.

THE CHAIRMAN: Q. How far does this area which you have mentioned extend? Does it extend west or east or north?

A On page 3 we have given the limits of the field as they are known today, and it is continually expanding. On page 6 we mention fields that are even further away. It is possible it may join up with other fields in between.

MR. COVERT: That is all.

COMMISSIONER ANGUS: Q. Has crude oil any tariff protection?

A I am not in a position to answer that.

MR. FRAWLEY: I think there is no customs duty.

THE CHAIRMAN: No customs duty on crude oil.

MR. FRAWLEY: I should like to make certain of that. I should know it, but I will have an answer for you about that.

COMMISSIONER ANGUS: The question I was going to follow that up with was should railway rates really be used as a protective measure? Is that not really a tariff problem?

THE WITNESS: I don't know.

MR. FRAWLEY: Thank you very much.

THE CHAIRMAN: That is against foreign --

MR. FRAWLEY: Yes, the suggestion is they would like their crude to displace California crude at the Vancouver terminals.

THE CHAIRMAN: Are you through?

MR. FRAWLEY: Yes, I am.

MR. COVERT: The next submission is that of the Southern Alberta Co-Operative Vegetable Growers Association Limited.

A. A. CAMERON, Called

EXAMINED BY MR. FRAWLEY:

Q You live in Lethbridge?

A I do.

Q You are the manager of the Southern Alberta Co-Operative Vegetable Growers Association?

A I am.

Q. You have a short brief to submit to the Commission, so will you just put it into the record?

A. Mr. Chairman: On behalf of the Southern Alberta Vegetable Growers' Association and in the interests of Alberta vegetable growers generally, and our own members in particular, we wish to submit the following brief.

The only part of Alberta which is irrigated lies in the southern portion of the province. Because of its natural advantages of good soil, long hours of sunlight, and abundant moisture this area is growing more and more root crops and canning crop vegetables; ultimately it will be spoken of as "The Idaho of Canada."

Because of climatic conditions this area specializes in the growing of the netted gem potato, recognized everywhere as the peer of the late crop potatoes.

This potato cannot be grown successfully in most areas of Canada because of climatic conditions but it is the potato asked for by the housewife wherever it can be placed on the market. The only limiting factor is transportation costs.

The sugar beet industry of southern Alberta last year paid the railroad companies approximately one million dollars in railroad freight. The canning companies of this same area shipped over 1200 cars of canned vegetables, representing another additional half a million dollars in rail revenue. Gentlemen, the first canning factory in this area was established only fifteen years ago. Today there are four canneries.

The fresh vegetable industry is just beginning. Last year 448 carlots, each 22½ tons of fresh vegetables were

shipped from this area. Last year approximately 4,000 acres were planted to potatoes, this year the acreage will be closer to 7,000 acres.

Our organization, the Southern Alberta Co-Operative Vegetable Growers Association completed last fall the construction of the largest vegetable storage shed in Canada. It has a capacity of better than 100 carloads of vegetables. We had constructed a four car railroad spur costing us better than $3900.00 to service this storage. Our yearly rental on this spur is $137.00 plus replacement of ties.

We have at present 500,000 acres under irrigation. The federal and provincial governments are spending at least $5,000,000 at present to bring under the water an additional 500,000 acres, under the St. Mary's and Vauxhall Medicine Hat Irrigation projects.

Gentlemen, we have the land, we have the climate, we have the demand and we have the handling capacity, but we have not the co-operation of the railroad companies in granting rates which are fair to the industry or comparable to rates granted in areas of Canada where other modes of transportation are competitive.

Let me illustrate my first point, namely the rates are not fair to the industry. Last fall we paid the growers $18.00 per ton for sacked turnips F.O.B. car. His bags cost him $3.20 per ton leaving him a net of $14.80 a ton. This $14.80 had to meet all his costs of tilling, planting, thinning, harvesting and rental of his land, etc. But the C.P.R. received $16.56 per ton for transporting these same turnips in a heated car a distance of 768.2 miles to

Vancouver. Gentlemen, when food prices are more than doubled to the consumer because of a rail journey of 768 miles, it is time something was done about it, because it is neither fair to the consumer nor the producer. The price of agricultural commodities is now at the apex. When these prices come down and they will; this percentage will become even larger. The same case can be drawn up for potatoes although it is not so extreme. We paid our growers last fall $35.00 per ton for No. 2 netted gem potatoes, deduct his sacks $3.20 leaving him a net of $31.80 per ton. The freight on potatoes is the same as that on turnips. The railroad received 52 per cent as much as the grower; similarly as potato prices come down the percentage paid to the railroads will increase. Somewhat similar cases can be shown for our other shipping points, and these rates are based on eighth class freight rates instead of the commodity rate which is 2 cents a hundred higher. (C.P.W. 790-A).

THE CHAIRMAN: Q. Which of these is 2 cents a hundred higher?

A. The commodity rate is 2 cents a hundred higher.

Q. Higher than the eighth class rate?

A. That is right. That is applicable to Lethbridge alone. The difference between your commodity rate and your eighth class rate will vary from certain shipping points.

Now coming to my second charge that rates are discriminatory; To move potates from P.E.I. to Montreal costs .947 per ton mile. To move potatoes from Lethbridge to Winnipeg, almost the same distance costs 1.691 cents

per ton mile. Putting it another way the freight on a 22½ ton car of potatoes from P.E.I. to Montreal would cost $157.46, the same car moved from Lethbridge to Winnipeg would cost $288.06 or a difference of $130.60 or 82.35 Percent or $5.80 per ton.

THE CHAIRMAN: Q. The figures have been changed. Are you putting another one, of freight, on the 22½ ton car of potatoes? How much did you say?

A. $157.46.

Q. Oh yes, that is right. The same car moved from Lethbridge to Winnipeg?

A. $288.06.

MR. FRAWLEY: Q. You have $222.86?

A. There has been an inaccuracy or a typographical error there, some place, in the compiling of this brief. My figure is $288.06.

THE CHAIRMAN: Q. Is that the right figure?

A. That is the right figure, sir. Pardon me, I will just check it.

MR. COVERT: That is checked by the next figure.

MR. O DONNELL: Surely a difference of $65; $4 a ton;

THE WITNESS: $288.06, or a difference of $130.60.

THE CHAIRMAN: Instead of $65.40?

MR. FRAWLEY: Q. Yes.

A. $130.60, or .82.35 per cent.

Q. $130.60, or 82.35 per cent?

A. Or $5.80 per ton.

Q. That makes quite a difference; will you just continue then?

A. Is this fair? Is it conducive to building up an industry in this area: an industry which can mean so much to a country, once full use is made of its many by-products; Our best example of this is Germany.

Gentlemen, we must have fair treatment. We are trying to do our part. We hope we can get co-operation from the railways, in continuing to keep food costs down.

Respectfully submitted,

SOUTHERN ALBERTA CO-OPERATIVE
VEGETABLE GROWERS' ASSOCIATION

Per A. A. Cameron, Manager

FREIGHT RATES ON THE MOVEMENT OF POTATOES

From Prince Edward Island To	Rate in Cents per cwt.	Distance	Rate in Cents per ton mile
Montreal	35	739	.947
Ottawa	39	847	.921
Toronto	47	1070	.879
Winnipeg	96	2152.2	.892
Regina	109	2508.6	.869
Saskatoon	119	2632.3	.904
Lethbridge	120	2909.3	.825
From New Brunswick To			
Montreal	34	487.9	1.394
Ottawa	38	588.4	1,292
Toronto	46	809.5	1.137
Winnipeg	93	1881.5	.988
Regina	106	2237.9	.947
Saskatoon	116	2361.6	.982
Lethbridge	117	2638.6	.887
From Lethbridge To			
Shaunavon	29	225.8	2.569
Swift Current	29	248.7	2.332
Regina	43	400.7	2.146
North Battleford	51	574.6	1.775
Saskatoon	51	572.5	1.781
Brandon	54	624.0	1.731
Winnipeg	64	757.1	1.691
Kenora	71	883.9	1.607
Vancouver	77	768.2	2.004

MR. FRAWLEY: Q. Will you just turn, Mr. Cameron, to the appendix of your schedule, the freight rates on the movement of potatoes; the Prince Edward Island base rate to Montreal is 35 cents for 739 miles?

A. That is right, as closely as I could get confirmation from the C.P.R. on it.

Q. And that works out to .947 per ton mile?

A. That is right.

Q. And you pay, to Winnipeg, 64 cents for 757.1 miles, for, roughly, the same mileage, or a rate of 1.691 cents per ton mile?

A. That is right.

MR. FRAWLEY: Thank you.

THE CHAIRMAN: Are there any questions?

CROSS EXAMINATION BY MR. O'DONNELL

MR. O'DONNELL: Q. Mr. Cameron, what is the rate from Prince Edward Island to Montreal per 100 lbs.

A. The rate is 35 cents. I asked for confirmation of that rate from the C.P.R. We do not ship to Montreal; but the old rate was 29 cents. And add to that the 21 per cent increase as granted last year, and it would be 35 cents.

Q. You do not ship to Montreal; you do not compete with the Prince Edward Island potatoes?

A. No. You have not had an opportunity of tasting our good potatoes.

Q. But you are aware of the fact that the Prince Edward Island to Montreal rate would be under the provisions of the Maritime Freight Rates Act, to a certain extent?

A. That is right. That would mean a 60 per cent higher rate comparatively.

Q. And your Levis to Montreal, it would be influenced by the water-compelled rate for the rest of the trip?

A. We do not ship there.

Q. You do not compete in that market?

A. No.

Q. You say on the first page:

"The only limiting factor is transportation costs."

That is, with respect to getting these netted gem potatoes to the market?

A. That is right.

Q. And what market does the netted gem potato compete in? Apparently, it must be with anybody in Canada, because you say you are the only growers of that potato?

A. I cannot say that, sir.

Q. On page 1, the third paragraph, you say:

"Because of climatic conditions........"

You say it grows here well?

A. Well, successfully.

Q. Then you say this potato cannot be grown successfully in most areas of Canada because of climatic conditions. So I ask you then: What market and what producers do you compete with?

A. The netted gem potato is grown all over Canada, but not on a commercial scale successfully.

Q. So you have the market to yourself, so far as the netted gem potato is concerned?

A. Pretty well, except for some areas in Manitoba and

Saskatchewan, which will be coming into production later on.

Q. Does the netted gem potato bring a higher price than ordinary potatoes?

A. Generally, yes.

Q. Did you make any effort to get bags at a lower price than you set out at page 2?

A. We would not be in business if we did not try to buy at the best prices possible, sir.

Q. So the only place you think you can get any relief is from the railways?

A. Fundamentally, yes, as regards markets.

Q. Have you experienced considerable increases in wages here during the last few years?

A. That is true, sir.

Q. And you have had no increases in costs of all other items which go into the cost of producing your potatoes?

A. Well, the western farmer is cut of the red now, in the last few years.

Q. But you have had considerable increase in costs of production over the years since 1939?

A. No, sir, we have not.

Q. Has your labor remained steady since 1939?

A. No sir; but we have got improved methods of production, mechanization, and the like of that, which cut down the cost of production.

Q. So you have got it cut down to where you think the only relief you can get is from getting cheaper freight rates?

A. We are approaching that level.

MR. O'DONNELL: Thank you.

CROSS EXAMINATION BY MR. SINCLAIR

MR. SINCLAIR: Q. You have an exportable surplus of potatoes in Alberta?

A. Generally, yes. But would you please recouch your question, because it is not correct. Do you mean: For provincially, or what?

Q. Provincially, yes.

A. That is correct.

Q. What proportion of the total potato crop of Alberta is exported out of the province?

A. It varies from year to year. I could not answer your question.

Q. Well, last year?

A. Last year there was a short crop in Alberta. The percentage exported would be only a guess, on my part, because there are so many potatoes raised in different parts of Alberta which go into local consumption; and there are no permits issued in a great part of the area, to show how many acres have been planted. So my answer would be useless to you, sir.

Q. But you are aware, are you not Mr. Cameron, that the percentage of the production of potatoes in Alberta, for 1946, was 4.7 per cent; while the five-year average, 1940 to 1944, was 5 per cent?

A. Yes, sir.

Q. Now, as to population, you have 6.5 per cent of the population of Canada? Is that right?

A. What is that figure again, please?

Q. It is 6.5 per cent?

A. The population of Canada is 12,000,000 while ours is, roughly, 1,000,000.

Q. About 850,000?

A. It is more than that now.

Q. I took my figures from the Dominion Bureau of Statistics for 1946.

A. It is more than that now. You should ask for up-to-date figures.

Q. Do you think there should be a deficiency area for potatoes over all?

A. But we are not.

Q. But that is a special brand?

A. No. This is the first year that potatoes have been shipped into Alberta in the last five years.

Q. Transportation costs this year were not a limiting factor, because they would move locally?

A. Would you mind repeating your question?

A. Transportation costs would not be a limiting factor this year because the potatoes you have would move locally, if you had them shipped in from other areas; your potatoes would not be limited by transportation costs?

A. There is a transfer movement of potatoes across the whole of Canada continually from year to year. One area will produce a certain variety of potatoes and they are shippdd out; and then another area will ship potatoes into that same area which shipped out the potatoes, because they are of a different quality, or arrive at a different season.

Q. Is it not a fact that you are attempting to get into further markets because there is a better price there?

A. I can answer that. Potatoes today are selling in Quebec at $15.00 a ton while they are $55 here.

Q. Right now?

A. That is correct.

Q. So that is why you want to ship them to Quebec?

A. It would be only logical for us to ship potatoes to Quebec at $15!

Q. Well, Mr. Cameron, are vegetables grown in the land around Lethbridge?

A. Yes.

Q. On the irrigated lands around Calgary and Medicine Hat?

A. Yes, and in the Brooks area.

Q. These irrigation projects were developed by the Canadian Pacific Railway or their subsidiaries?

A. That is right.

Q. And the Canadian Pacific has spent large sums of money in trying to develop those lands; isn't that right?

A. On their development, yes.

Q. And the Canadian Pacific, in recent years, turned over those projects, under the Alberta Irrigation Act, to trustees; and they are now operated by the trustees of those irrigation districts? Isn't that right?

A I do not know what the setup is there. I know they wanted to get out from under them, anyway.

Q. Do you not think that the development of irrigated lands in Alberta was of advantage to the farmers of Alberta?

A. Definitely.

Q. Yet that is something that the Canadian Pacific

A. They, and the gods are to be thanked for that, sir.

Q. So you did get a little bit of co-operation at one time?

A. I cannot argue that question on the witness stand.

Q. That is right, that is one of the advantages of being counsel. On page 2 you deal with turnips. Is that calculated on 79 cents, or on the commodity rate of 77 cents?

MR. FRAWLEY: Which, Mr. Sinclair?

MR. SINCLAIR: Turnips, the third paragraph.

MR. FRAWLEY: $3.20 per ton, you mean.

THE CHAIRMAN: Which paragraph?

THE WITNESS: That would be on the eighth class, 77 cents.

MR. SINCLAIR: Q. That is the eighth class terminal rate?

A. I believe that is the appellation given to it.

Q. Would it include a heater charge?

A. No, it did not, sir.

Q. You know that the mountain differential comes off on the 1st of July and that rate will drop to 68 cents?

A. It will be somewhere in the neighborhood. I have not figured it out.

Q. So your logical market for surplus production, transportation-wise, would be to the British Columbia coast?

A. As far as turnips are concerned, that is our market.

Q. Potatoes will drop; the rate on potatoes will drop to 64 cents as a result of the removal of the mountain

differential at the beginning of next month?

A. How do you arrive at that? Because your vegetable and potato tariffs are both exactly the same to Vancouver, 77 cents; and if one goes down to 67, why should not the other go down to 64?

Q. Because, under the order of the Board in the mountain differential case, the Prairie Scale throughout is being applied; and the Prairie Scale on potatoes makes it 64 to Vancouver.

A. That will benefit us, yes, some relief!

Q. There is just one error in your calculation which I am sure you would like to have corrected. On the freight rates table, from Lethbridge to Regina, you have 43, while it should be 41.

THE CHAIRMAN: Where is that?

MR. SINCLAIR: The last part of the table, the third shipping point and the third destination.

THE CHAIRMAN: It should be how much?

MR. SINCLAIR: 41, Mr. Chairman.

THE CHAIRMAN: Instead of 43?

MR. SINCLAIR: That is right.

MR. FRAWLEY: Q. Do you agree with that, Mr. Cameron?

A. From Lethbridge to Regina, yes, that is correct.

MR. SINCLAIR: Q. Now, you are aware, Mr. Cameron, that this potato rate which you show, from Lethbridge to all those points, is considerably below the eighth class disbributing scale?

A. In cases, yes, but in other cases, no.

Q. But there is only one which is higher, and one which

is the same I think it might be of assistance if I should give these figures and they be written down alongside those. One is higher and one is the same. The eighth class prairie distributing rate would be 35. Swift Current, 29, would be 36. Regina, 41, would be 47. North Battleford, 51, would be 57. Saskatoon, 51, would be 57. Brandon, 54, would be 58. Winnipeg, 64, would be 64. Kenora, 71, would be 71; and Vancouver - the prairie rate would apply, and 77 would be 64.

A. After this goes off - we are talking about the present and the immediate past, not the future; and these rates, I have given here in this table are the lowest rates that we ship on. I tried to do that so the Commission would have a fair idea.

Q. I am not saying that. I am just drawing to your attention that the railways have assisted the movement of potatoes by publishing the special rates which are considerably below, to most destinations, the eighth class distributing scale; and I have given you comparisons to the figures I see in your eighth class distributing scale.

THE CHAIRMAN.Q.I understood you to say that for the first time in five years potatoes are being imported in Alberta this year?

A. That is correct.

Q. Is that because of the shortage for home consumption?

A It is due to dry conditions last year, particularly in the fall. The crop all across Alberta was not as large as normally, and we moved a great many potoates out of this area.

Q. To other provinces?

A. To other provinces, and the result is that, at the latter part of the season, we have had to implement our stocks with imports from Prince Edward Island, New Brunswick and Quebec.

Q. I wanted to know where they came from. So that is where they came from?

A. That is where they came from.

MR. FRAWLEY: Q. Have you ever gone to the railways or to the Canadian Freight Association to point out the favorable position in which PrinceEdward Island and New Brunswick are in as against southern Alberta, in seeking markets?

A. Not specifically, Mr. Frawley. I have, on certain shipments outside of Canada, gone to the railroad companies to get specific reductions, or rather to apply for specific reductions, which were generally granted.

Page 1745 follows

Q. You have not called the railways' attention to the fact that their per ton-mile rate on the Alberta movement is much better than the per-ton-mile rate on the maritime movement into Cental Canada?

A. Only before the previous hearing on the 21% case has this been brought to their attention, sir.

Q. Was there ever any question that you would be required to move your product on eighth class distributing?

A. No; they ga e us a chance to move on either the commodity rate or the eighth class.

Q. Or the eighth class?

A. Yes; it is our prerogative to move on whichever is the cheaper rate.

Q. And that was from the very beginning of your industry?

A. I do not go back very far, only five years, Mr. Frawley, so I do not know what happened previous to that. At that time, from then on, it was the same as now.

MR. O'DONNELL: Q. You had the option?

A. Yes, we had the option.

MR. COVERT: The next is the Southern Alberta Sheep Breeders Limited.

MR. FRAWLEY: Yes. I will call Mr. Benson.

WILLIAM STOCKDALE BENSON, called

EXAMINED BY MR. FRAWLEY

Q. Mr. Benson, you live in Lethbridge?

A. Yes, that is right.

Q. And you are the Secretary Treasurer of the Southern Alberta Sheep Breeders Limited?

A. Yes.

Q. And your company or organization has prepared a brief to present to this Commission?

A. Yes.

Q. Would you please just put it into the record?

A. Mr. Chairman:

Re Transportation of Wool and Sheep

Submitted by Southern Alberta Sheep Breeders Limited

On behalf of the wool growers of Alberta I wish to submit the following brief in reference to the transportation of sheep and wool in Canada, particularly as it affects the province of Alberta.

We admit that any transportation company has to levy rates that will compensate them for their efforts and yield a reasonable profit, but we feel that on some commodities the rates are too high, and that possibly on other commodities the rates are too low, and that when freight rates are reviewed, they should not all be considered on the same basis and be given a certain per cent boost in tariffs. We feel that more consideration should be given to the actual cost of transportation and the actual cost of handling certain commodities.

We feel that raw wool is one farm product that costs the producer too much freight, and is one product that is very easy for the railroad to handle, particularly when shipped in carload lots. There is no labour involved on the part of the transportation company in the loading or unloading of cars, and there is no damage to railroad equipment as it is not necessary to use nails, bolts, strap-iron, planks or anything else

that quite often causes considerable damage and loss to box-cars. I think it is safe to say that there are possibly very few other commodities that do less damage to railroad equipment than wool shipments.

It seems to me that a freight car should have a certain earning capacity irrespective of the type of freight that is being hauled, and I think that most transportation costs are figured on a ton-mile basis, and that rates should not vary so extremely with the value of the product that is being hauled. If the value of the freight that is being hauled should play such an important part in determining the rates, then the freight rates should possibly fluctuate more often in keeping with the market.

For years wool was below its normal value, but the freight rate structure remained the same, and I think that as a general policy the whole freight rate structure should be revised, on a more equitable basis. The revenue from shipping a carload of wool is possibly twice as much as the revenue from shipping a carload of any other farm produce, -- that is a general term -- and I imagine that when railroad tariffs were determined they based their tariffs on the general freight they were going to haul rather than special items.

At the present time practically all of our wool shipments are shipped by carload lots, either east or west, as determined by markets, and it becomes increasingly difficult each year to make up carload shipments at points of production, conseqquently in making up carloads, wool has to be moved from one

point to another to make up cars. In moving this wool we are required to pay l.c.l. rates from one point to another without being granted a stopover privilege, as is a custom for some commodities. We feel that railroads could well afford to grant this privilege in view of the great amount of revenue in hauling a carload of wool.

A second point is that under the present system of completing a car, we have to pay for the actual weight of wool in a car rather than pay for the minimum weight of wool required to complete the car. That is at carload rates, or the cheapest possible way. We can do it the other way by shipping the minimum weight and thus save freight and the railroads will gladly supply two cars when the movement of one car would suffice. It is not practical on our part to use a second car and ship it from one point to another, as there are usually no facilities or help at railroad stations -- I am referring particularly to sidings -- for transferring wool from one car to another to complete the shipment,

The fact that we have no stop-over privileges helps competitive transports to stay in business. I refer to trucks in particular and again the same trucks are making it more difficult for railroads to stay in business, as in addition to their regular train service, they are obliged to put on trucks of their own to compete with trucks owned by private individuals or companies.

As the minimum weight in shipping a carload of

wool is 24,000 lbs. and the rate is approximately $2.30 per hundred, from most Alberta points, you readily see that this brings in a revenue of at least $500.00 per car and in many cases as high as $800.00 depending on the load. These high rates should at least be given some consideration in sending car lot shipments. I am referring to shipping east.

In reference to the shipment of live sheep, it is necessary in practically all cases to put in temporary decks in the car in order to put in the minimum weights of 16,000 lbs. These decks are usually quite a headache to the average sheep man. They cost in the neighborhood of $40.00 to $45.00 each, about three times as much as they did before the war and in addition to the increased freight rate, they have added that much more to the general tariff. In many cases these decks are a complete loss to the shipper, and they certainly must damage railroad cars in building them and removing them. I would suggest that railroads should furnish decks for the shipment of sheep when required and charge a nominal rent for the use of them. In this way the decks would not have to be rebuilt and removed so often and they would be of greater service to the sheep industry. At many points it is almost impossible to get lumber to build the decks and quite often impossible to get help to put them in.

In regard to the movement of purebred sheep, the railroads used to grant a special rate in order to encourage the improvement of the sheep industry. I understand the special rate has been abandoned and I

would suggest that it be re-instated as it was a big incentive for farmers and ranchers to purchase livestock at some distance from their farms.

I would also suggest that the same special rate be given when shipments are made by express as the freight rate will only apply for a limited sistance of about 150 miles, due to the feed and water requirements en route. That is not in the tariff; that is just a practical application.

Railroads in the past have spent considerable sums of money in encouraging livestock breeders to produce better stock, and as their demonstration farms have practically all been abandoned, we would suggest that the special rate in shipping purebreds be re-instated, all of which is respectfully submitted for your consideration.

MR. FRAWLEY: Thank you, Mr. Benson. Now just answer the questions.

THE CHAIRMAN: Any questions?

CROSS-EXAMINED BY MR. O'DONNELL

Q. On page 3, Mr. Benson, the 24,000 pound minimum that you refer to, is it not 20,000 pounds?

A. I understand it is 24 in Western Canada.

Q. In Western Canada?

A. It used to be 20.

Q. Our information is that it is 20 in Western Canada.

A. Well, I have taken it up with several freight agents, and I know we always ship at a minimum of 24.

That was an order during the war, T.C. 4, section F.

Q. That is off now?

A. Pardon?

Q. That order is off now?

A. Yes; I am not sure the minimum rate is off, though, at least I haven't been informed of it. I inquired at Lethbridge, and that is what they told me. You see, different sized cars take out minimums. The smaller car used to take 20; larger cars always took 24.

Q. Would you suggest that the shipment of sheep that you refer to on page 4 is one that is suitable for express traffic?

A. Yes, sir; that is, purebred sheep, yes, that is, crated. We always ship breeding stock like rams ---

THE CHAIRMAN: Where is that?

MR. O'DONNELL: Page 4, my lord, the second last paragraph.

THE CHAIRMAN: These articles are shipped by express, are they?

MR. O'DONNELL: I just asked Mr. Benson if he felt they were, because my information is that they were not suitable for shipment by express.

THE WITNESS: It depends on distance ---

THE CHAIRMAN: Why, Mr. O'Donnell?

MR. O'DONNELL: I do not know the reason offhand.

THE CHAIRMAN: Is it a question of price or a question of the handling?

MR. O'DONNELL: The handling is the matter, I think.

Q. Putting them in express cars, they have to be

accompanied by an attendant, do they not, if the shipment is more than 150 miles?

A. No; you are getting freight rates and express rates mixed. If you are shipping animals like a local freight shipment, for instance like from Calgary to Grassy Lake or something like that, they hate to take it any farther than Lethbridge without an attendant, because---

Q. Because they have to feed and water them?

A. Because there is feed and water provision there. If you have an animal in a crate in a box car, naturally they don't take it out to feed and water it. That is why I say that special rate has a limitation as to the mileage you can take it. Now, if we shipped by express you could probably ship it four or five hundred miles without any difficulty, but there is no special rate.

THE CHAIRMAN:Q. What about the watering and feeding?

A. Watering and feeding by express, that is handled by the man in charge of the express car.

Q. And the rate that you pay for express includes that service?

A. That is right.

MR. O'DONNELL: Q. When you ship more than 150 cases the classification calls for an attendant, does it not?

A. Strictly speaking, but if there is a direct haul like from Calgary to Maple Creek, which is considerably over, or Calgary to Medicine Hat, they would take it.

Q. The Canadian Freight Classification No. 19

under General Rules governing the transportation of livestock, which is 8-B, reads as follows:

> "An owner or his agent must accompany each carload or less than carload consignment of livestock, as the case may be, when the distance is over 150 miles, unless special authority is first obtained from the general or divisional freight rate agent."

You are aware of that?

A. Yes.

MR. O'DONNELL: I have no other questions, my lord, with respect to this, other than to make this remark, that my information is that the shipment of sheep, for which Mr. Benson felt the railway should provide special equipment, is rather a spotty business ---

THE CHAIRMAN: Is rather what?

MR. O'DONNELL: Is rather spotty, it is not of any considerable volume, and there would be no justification for holding special equipment for that matter.

MR. FRAWLEY: Q. Well, do you agree with that? Mr. O'Donnell is making a statement.

A. I understand they have double-deck cars in Eastern Canada, and I think there was an attempt made last fall to get some of those double-deck cars out here. You see, there is a period in the fall when we use double-deck cars a great deal, and we could use them almost continuously if the decks were available, but one man builds a deck and another one tears them out, if he wants to ship a shipment of cattle or something of that description. It looks to me to be kind of foolish

business both on the part of the shipper and the railroads to keep putting in these decks and tearing them out again.

MR. O'DONNELL:

Q. On the part of whom?

A. On the part of the individual, the shipper, and the railroads.

Q. What part of the year do you ship particularly?

A. Ordinarily the first of October to say on through the winter, but there is a big movement in October in this province in particular.

MR. O'DONNELL: I have no other remarks to make, my lord, regarding the paragraph in the brief concerning the movement of purebred sheep. That is in a similar position to the livestock, which we had last week in Winnipeg.

CROSS-EXAMINED BY MR. EVANS

Q. Mr. Benson, talking about what Mr. O'Donnell mentioned to you, decking, is it not a fact that the railways retain those decks in place and return the cars with the decks in place during the shipping season several times?

A. No; it is difficult to get them returned back from one division to another. If you ship a double-deck car from here to Toronto, for instance, you very seldom can get that deck back, even if you are making a shipment back to the same individual.

Q. But there is a lot of movement to Winnipeg and St. Boniface and west?

A. Oh, yes, to local points there is, but our lamb market particularly is eastern Canada or western Canada.

Q. You are not suggesting that you have to pay the cost of a deck every time you make a shipment?

A. Yes, we do.

Q. You do?

A. Yes.

Q. Well, my instructions are that they keep those decks in place during the shipping season and you get them time and again?

A. No -- they do and they don't. You can never be certain of getting them, and if you ship a deck you are liable to lose it. For instance, if I pay $45 for a deck, I usually tell the fellow to remove it at the other end.

THE CHAIRMAN: Q. Who furnishes the deck?

A. The individual who is shipping; you have to build them yourself. You can charge them to the account of the man who is getting the shipment, but that just adds to the general freight cost.

MR. EVANS: Q. What you do is, you actually save more than the cost of the deck in getting the carload rate?

A. No, not on short hauls.

Q. Then why would you bother?

A. Because you would be paying excess freight. For instance, you cannot get 16,000 pounds of lamb in a single deck, and you would have to pay for it.

Q. That was my point, Mr. Benson. The reason these decks are in place is to get the advantage of the carload rate?

A. That is quite true, yes.

Q. And if you did not supply those decks you could not get sufficient weight in your car to pay the carload minimum?

A. Yes.

Q. To meet the carload minimum?

A. That is a fact.

Q. And therefore you would have to choose between paying something for sheep not transported to get a carload rate, or you would have to ship them at l.c.l. rates?

A. Of course on the other hand you have to take into consideration like last fall, when we had such a shortage of decks. The railroads did not take very kindly to giving you decks to ship single decks of sheep, in spite of the fact that you were willing to pay for them. For instance, if you are moving 3,000 sheep it takes almost 30 single decks to do it, whereas you could use 15 double decks, and then the railroad equipment would not be tied up.

Q. Yes, but the fact is, you do save sufficient to warrant you paying for the decks; isn't that true?

A. Not always, no.

Q. Then why do you use them? Except under the compulsion of wartime orders, why would you use them?

A. Well, sometimes we do not, but it is uneconomical. Ordinarily -- pardon me, I am a little mixed up there; if you are going to save $20 freight for instance, by building a deck, it would pay to pay $10 to build a deck, but it would not pay to pay $40.

Q. You measure the economics of your movement?

A. Yes, naturally we do.

Q. You are business men, and we would expect that?

A. Yes.

Q. Now, another point Mr. O'Donnell asked you about was this matter on the final page. You think you should have this special rate for express movement as well as for freight movement?

A. Yes, I would like to see it apply to express.. It never has. I would like to see it.

Q. Is it your view that the higher class service that you get by express is not worth any more than the freight service?

A. Yes, it is. I am not saying it is not worth any more but, on the other hand, you have different rates on your express service too, for shipping the same animal.

Q. You mean to meet competition?

A. No, not to meet competition; just in your general tariffs in express. For instance, if you ship under \$50 valuation you ship at one rate, if you ship under \$75 valuation you ship at another, and if you ship under a \$200 valuation you ship at another.

Q. Are you objecting to that?

A. Yes. Well, as far as I am personally concerned as a shipper, it is all right, but the point is, supposing a man bought a \$200 animal from you and you shipped it at a \$50 valuation in order to save him freight, and he got a copy of that billing, he thinks you have gypped him a hundred and fifty bucks on the animal. That is the thing that is wrong.

Q. You know the purpose of that, don't you?

A. Well, I am not absolutely certain, except for liability and express.

Q. Well, isn't that an important aspect?

A. Well, how would it be on freight, though? -- your liability on this reduced rate on freight?

Q. I am sure we could have a very nice discussion about all these things, but could we come back to the question I put to you, that you do -- or do you -- think that the express movements, which are high speed and include all the pick-up and delivery and so on, should move at the same price as the freight movement?

A. No, not quite, no.

Q. Now, would you turn to page 2 of your brief; you say there:

> "It seems to me that a freight car should have a certain earning capacity irrespective of the type of freight that is being hauled."

Now, by that do you mean that all commodities, no matter what their value, should be transported at the same rate for the same distance?

A. In a general way, that is, when we have bulk shipments like grain and potatoes.

Q. How about salt as compared with wool?

A. Well, there is quite a similarity.

Q. There is quite a similarity; in value?

A. No; there is quite a similarity in weight.

Q. Salt is worth about 2 cents a pound?

A. That is right.

Q. And how much is wool worth.

A. Wool is worth more; it runs from 20 maybe to 40. Sometimes wool has been worth 4 cents a pound.

Q. And your suggestion is that it should move at the

same rate, regardless of value, over the same distance?

A. No; my suggestion is that it costs the railroads no more to move that carload of freight, whether it has a carload of wool in it or a carload of salt.

Q. That is what you think should be the test of the freight rate?

A. Well, I think it is a good guide.

Q. You do?

A. Yes.

Q. You think that the traffic would move in this country to the extent ---

A. Well, I think when they built the railroadsin the first place they just expected to haul general freight; that is the point of my argument.

Q. Very well. Then you speak of a stop-over privilege; I just want to understand you. You want to move a car of wool into a cleaning and grading station, have it cleaned and graded and back in the car, and move at a through rate?

A. No; you misunderstand me.

Q. Well, I am trying to find out what you do mean.

A. I am assembling a carload of wool for shipment east, direct from the ranches. Supposing I have 10,000 pounds here at Calgary and I have another 10,000 pounds at Bassano. Now, in order to get the wool into the same car I have to ship that 10,000 pounds from Calgary to Bassano, l.c.l. freight, then I have to rebill the car out of Bassano at the carload rate.

A. And you think that is not right?

A. No, I do not think it is, considering the long freight haul.

Q. But you do not want a stop-over privilege in the sense of letting it go through some cleaning process in the meantime and paying a transit charge?

A. Well, we already have that.

Q. You have that?

A. Yes.

Q. That stop-over privilege is in respect of wool shipped in carloads from all points in British Columbia, Alberta, Saskatchewan and Manitoba, to Moose Jaw, Saskatoon and Winnipeg, for grading, storage and reshipment?

A. Yes.

Q. That is a very considerable advantage to you?

A. Yes, definitely.

Q. Then what is the wool worth a pound?

A. It depends on the grade.

Q. Well, you tell me, a good grade wool?

A. Oh, at the present time our average price on wool would probably be around 33 or 34 cents.

THE CHAIRMAN: Q. How much?

A. About an average of say 33 or 34.

Q. Are you talking of pounds or bales?

A. A pound. Now, that is approximate, because all wool values are based on clean scoured prices.

(Page 1761 follows)

MR. EVANS: Q. I suggest to you that the price of that wool was quite a bit lower in past years, 1946 and 1947?

A In 1946 we were still under the price control structure, from 1942 to 1946.

Q Taking that car that you speak of on page 3, 24,000 pounds of wool at about 33 cents a pound would mean a value of roughly $8,000?

A That is right.

Q Your complaint is that a freight charge amounting to $552 on $8,000 of wool is burdensome?

A It is.

MR. EVANS: I think that is all. Thank you.

RE-EXAMINATION by MR. FRAWLEY:

Q Mr. Benson, my friend Mr. Evans, was examining you with respect to the relationship of value of the freight to the freight rate. Your wool is now about 33 cents per pound?

A Approximately that.

Q You say it has been as low as 4 cents a pound?

A That is right.

Q Did you pay the same freight rate when it was 4 cents?

A Previous to last year we did.

Q Previous to the increase?

A To 1948, yes.

MR. EVANS: Perhaps it would be helpful to the Commission if I put on the record this fact. Wool moves inbound - this has to do with these distributing class

rates. You can check me if I am wrong.

THE CHAIRMAN: Wool inbound.

MR. EVANS: Wool moves inbound to distributing points at the distributing class rate. This is another class where we have an inbound movement. It moves in carloads at 5th class, and it moves in less than carloads first class in bags and sacks. I suppose that is when it is loosely packed?

THE WITNESS: No, that isjust when a local man has a couple of sacks of wool, and he has to send them some place to make up a carload.

MR. EVANS: Q. When it is in machine compressed bales it moves third class l.c.l.?

A It moves the same rate in carloads, compressed bales or bags.

Q But less than carload it moves by first class in sacks and bags?

A Yes.

Q And third class in machine compressed bales?

A I don't think that is exactly right.

Q That is my instruction..

A Because third class rates apply to a 10,000 minimum.

Q I think you are wrong on that.

A I don't think so.

CROSS-EXAMINATION by MR. COVERT:

Q You intimate in the brief that wool bears a higher freight rate than most other agricultural products. I was wondering if you had compared the situation here with

other countries?

A Oh, not very closely, no. I have not done that. I know this though that in shipping a carload of wool from Calgary to Toronto you ship at $2.32 rate at the present time. If you ship it from Vancouver to Toronto you ship at about $1.76, I think. It used to be $1.54. I imagine it is about $1.76 now. In other words, they would haul wool from Vancouver to Toronto previous to this increase in the rate at the same price as you haul it from Regina to Toronto.

Q I have one other question. On page 2 in the second paragraph you say:

"For years wool was below its normal value."

What do you consider a normal value?

A A normal value for wool should be around 25 cents a pound. That is wool in the grease as we ship it.

Q Has it gone much above that price?

A Last year, yes, but during the war it was not. During the war it was staying as closely to the normal price as it was possible to do so.

Q Do you suggest that the freight rate should fluctuate with the value of the wool?

A Well, they did last year, but ordinarily it is not practical because it cost the railway a certain amount to handle wool, whether it is worth nothing or worth quite a lot. The suggestion that I had in mind was in regard to the different valuation. If there was a wreck or something, the railroads have a bigger responsibility, but on the other hand we could insure our own wool.

MR. COVERT: That is all.

MR. FRAWLEY: The next brief is that of the Alberta Provincial Sheep Breeders Co-Operative Association Limited. I have a suggestion to make as to that, and it is that it be filed. It raises the same question that was raised in Winnipeg and Regina, the objection to the removal of the special rate with regard to the movement of purebred livestock. That is the only point in the brief, and if it is acceptable we will file it and have it incorporated. Mr. McFall, the Secretary of the Alberta Federation of Agriculture, is here, and if my friends have any questions he can answer them. Probably they have not because the point has been brought up before.

MR. O'DONNELL: I have none.

MR. EVANS: I have none..

MR. FRAWLEY: Then that takes care of that.

MR. COVERT: Rather than say "file" I think perhaps we should deem it read into the record.

MR. FRAWLEY: That is what I really mean.

THE CHAIRMAN: There will be no witness called?

MR. FRAWLEY: There will be no witness called. I could go through the mechanics of putting Mr. McFall in the box.

THE CHAIRMAN: That might be a dangerous proceeding.

(The following is the brief of the Alberta Provincial Sheep Breeders Co-Operative Association Limited).

SUBMISSION TO: ROYAL COMMISSION ON TRANSPORTATION
BY: ALBERTA PROVINCIAL SHEEP BREEDERS CO-OPERATIVE ASSOCIATION LIMITED.

Gentlemen:

On behalf of the Pure Bred Sheep Breeders of Northern Alberta we wish to submit the following brief in reference to the proposed increase of freight rates and removal of the preferential freight rate on pure bred livestock.

We contend that the withdrawal of the preferential pure bred rate would seriously undermine the work being accomplished by the Sheep Improvement Policy in the province. In many cases these proposed extra freight costs to the breeders would be more than double the 1947 costs. This would lead to a decline in the number of pure bred animals used for flock improvement purposes and to a greater percentage being sold on the mutton consumer market which is a less exacting market with short transportation hauls. This action would have the following repercussions:

1. It would cause a gradual degradation of the flocks.

2. A greater percentage of useful pure bred animals would be sold for mutton rather than for improvement of our flocks.

3. There would be a loss of volume of freight hauled by the railway.

The loss of the freight volume would be a direct result of freight increases, causing greater competition by the trucks whose service and rates would prove more acceptable to the farmers when faced by the greatly increased costs of rail freight rates for his pure bred animals.

The good quality, pure bred Canadian sheep have found an acceptable and ready market in the United States

during the past several years, at prices slightly exceeding returns from commercial sales. This market has proven profitable to the sheep breeders due to the present preferential freight rates on pure bred stock. The abolition of this rate, plus the proposed increased freight rate would make this newly found, profitable market uneconomical to the producer. His stock would then ultimately be shipped commercially to a local plant for slaughter in place of being used to build up Canadian flocks quality. The broader the market for the breeder's produce the better quality of stock he can afford to purchase for his own flock improvement.

This loss of trade with the United States would mean a loss of revenue to the sheep breeders and a loss of revenue to the railways. The bulk of the short hauled commercially marketed animals would find their way to the market by transportation facilities other than the higher cost rail freight. Present long freight hauls to the United States pure bred markets would not be made. The loss of this market not only affects the sheep breeders and the railway but with our present shortage of United States dollars it has an effect on the Canadian economy as well.

Increased freight rates and removal of the pure bred preferential rate would only encourage greater competition by other forms of transportation and a loss of revenue to the railways as well as to sheep breeders. It is generally felt by these breeders that the freight transportation rates are all that the traffic will bear at prevailing prices and any decrease in profit would

seriously restrict their activities in these various markets.

All of which is respectfully submitted by the Alberta Provincial Sheep Breeders Co-operative Association Limited.

Donald MacLeod, Presidend.

R. W. Shopland, Secretary.

MR. COVERT: The next brief is that of the Federated Co-operative Services Limited.

W. J. PURDY, Called

MR. FRAWLEY: Mr. Chairman, this is one of the briefs with respect to which there was a summary prepared.

Q Mr. Purdy, you live in Edmonton?

A Yes, sir.

Q And you are the Manager of Federated Co-operative Services Limited?

A Yes, sir.

Q Just briefly explain to the Commission what the business of Federated Co-operative Services Limited is.

A We act as business managers for eighteen shipping associations in central and northern Alberta.

Q Purely livestock shipping associations?

A Livestock shipping associations; that is right.

Q You are the Manager of a number of livestock shipping associations?

A That is right.

Q You are the agents for those associations?

A We appoint agents who assemble the stock and they in turn settle with the owners.

Q And your organization has prepared a brief for submission to the Commission, and you have also prepared a brief summary?

A I have.

Q Will you be good enough to read the summary?

A We of the Federated Co-operative Services act as business managers for eighteen livestock shipping associations in northern and central Alberta. The level of transportation rates is highly significant to the livestock producers who at present play an important part in the agricultural life of our province. Table 1 shows the volume of livestock marketed in Alberta from 1944 to 1948.

We do not ask for special privileges, merely equal treatment with other major producing areas in Canada. At present we do not feel we are receiving this sort of treatment. We trust that our brief will illustrate this fact. From two judgments of the Board of Transport Commissioners we get the following information:

1. Eastern and Western livestock rates are different. This is shown by Table II.
2 This difference has been narrowed since 1914. Table III indicates that while rates were approaching parity up to 1935, since then the trend has been reversed.
3. Conditions vary between the East and West. Table IV indicates one variation - namely, the volume of traffic is shifting in favour of the West. In addition, average hauls weighted by volume are less than 80 miles in Ontario and between 125 and 150 miles in Alberta. Thus, present differences in rate levels

cannot be justified by the above factors.

4 Differences in rules and regulations must also be given weight.

(1) Reduced fare privileges - we would gladly forego this in return for equality of rates.

(II) Reduced rates on stockers and feeders. Tables V and VI give the reduced rate and the actual movement of store cattle. In Alberta 50 per cent or more of store cattle move an average of 35 miles while the rest move approximately 75 to market. Only about 25 per cent move on the reduced rate and thus yearly saving is between $1,000 and $5,000, and does not in any sense offset the increased rates which are paid as a result of east-west disparity.

5 Local livestock movements in the west "are not in any sense" competitive with local movements in the east. We feel that this is incorrect since there is a close relationship between the prices in the various markets. The sustained price in one market differs from that in another by not more than the cost of moving animals from one to the other and all are areally dealing in a single "market".

Thus, we maintain that there is competition in the same market between the Eastern producer delivering his stock to Toronto and the Western producer delivering his stock to Calgary and the difference in rates weakens the competitive position of the Western producer.

We submit that this Commission should carefully appraise

the relative transportation position of various Canadian livestock producers. We respectfully suggest that there is sufficient evidence to show that intra-provincial rates within Canada should be the same.

We should also like to make a brief reference to Table VII which shows that on inter-provincial movement there is roughly a 20 per cent to 25 per cent increase in Eastern rates over those which would apply on a straight Prairie scale.

Summary:

1. Class and commodity rates on livestock should be equalized across Canada on thebasis of the lowest present rate.
2. Minimum weights should always be the same in all areas.
3. Competitive rates should be thoroughly investigated to check for undue and unjust discrimination.
4. All rights and privileges should be granted to all areas in Canada.
5. The livestock industry must be treated as a national industry.

Respectfully submitted by
Federated Co-operative Services Ltd.

(The following is the full brief of Federated Co-operative Services Limited).

Mr.Purdy

SUBMISSION TO THE ROYAL COMMISSION ON TRANSPORTATION BY FEDERATED CO-OPERATIVE SERVICES LIMITED IN THE MATTER OF LIVE-STOCK TRANSPORTATION IN ALBERTA.

Gentlemen:

The Officers of the Federated Co-operative Services Limited, on behalf of the farm livestock producers of Alberta, take pleasure in presenting the following submission relative to transportation and the livestock industry.

The Federated Co-operative Services Limited is a co-operative organization, incorporated on June 3, 1941, under the provisions of the Co-operative Associations Act of the Province of Alberta. The objectives for which the Association was formed are:

1. To provide livestock co-operatives with management and service in the assembling and marketing of farm products.
2. To encourage and facilitate agricultural improvement programs in co-operation with other existing agencies and organizations working towards that end.
3. To work in co-operation with Alberta Livestock Co-operative Limited in the marketing of livestock.
4. To exercise the powers outlined in Section 14 of the Co-operative Associations Act.

The number of Directors of the Association is seven. Eighteen livestock shipping associations that operate in Northern and Central Alberta and that have a membership of approximately 32,000 are affiliated with this organization. Briefly, we act as business managers for these eighteen associations, appoint agents for the assembling of live-

stock, and when the animals are sold we settle with the owners, after deducting freight, agents' commissions, etc. As this indicates, we are in close contact with the producers of livestock of this province.

The matter of transportation is of vital importance to the livestock producers of Alberta. While it is admitted that efficient railway transport service is a prime factor in our national economic life, we are definitely of the opinion that inequality of transportation charges inflicts an unwarranted burden on the livestock producer and restricts the development of the livestock industry in this province. Alberta is dependent largely upon agriculture. The livestock industry is an important part of the economic life of approximately 90,000 farmers in this province. The average yearly value of livestock marketings for 1944, 1945, 1946, 1947 and 1948, was $104,892,205 making a total of $524,461,028 for this five year period.

The avoidance of high transport rates is of the greatest importance to our industry. It is important not only to the producers of this province and to all of Canada, but to the people of European countries who depend on us for substantial quantities of beef, bacon and ham. It is also necessary if Canada is to successfully compete in world markets with countries that produce livestock near seaboard. Foreign markets are vitally necessary to Canada and also to the Canadian railroads.

The volume of livestock marketed in Alberta during 1944, 1945, 1946, 1947 and 1948 is indicative of the importance of the industry. Tge following shows the number, weight and value of animals marketed during the five years referred to:

TABLE 1.

YEAR	CATTLE	APPROX. TOTAL WEIGHT		APPROX. TOTAL WEIGHT
1948	531,998	524,550,028	lbs.	$ 75,341,244
1947	423,154	415,114,074	"	44,219,593
1946	494,137	489,195,630	"	46,967,721
1945	534,815	524,118,700		45,699,941
1944	384,257	374,650,575		32,784,807
	2,368,361	2,327,629,007	"	$245,013,306
	CALVES			
1948	119,240	29,810,000	lbs	$ 5,063,643
1947	87,185	21,796,250	"	1,964,278
1946	100,513	24,123,112	"	2,960,107
1945	118,923	30,325,365	"	3,204,974
1944	87,888	21,972,000	"	2,315,848
	513,749	128,026,727		$ 15,508,850

YEAR	HOGS	APPROX.TOTAL WEIGHT		APPROX. TOTAL VALUE
1948	1,164,932	250,460,380	lbs.	55,294,219
1947	1,105,222	237,622,730	"	35,532,887
1946	1,250,602	268,879,430	"	34,143,209
1945	1,946,114	418,414,510	"	49,043,206
1944	2,981,940	641,117,100	"	75,144,938
	8,448,810	1,816,494,150		$249,158,459
	Sheep			
1948	215,732	25,887,840	lbs.	3,163,531
1947	289,183	34,701,960	"	3,123,176
1946	299,564	35,947,680	"	3,070,531
1945	328,954	39,474,480	"	2,937,559
1944	303,124	36,374,880	"	2,485,616
	1,436,557	172,386,840	"	14,780,413

Grand Total 12,767,477 444,536,724 lbs. $524,461,028

(These figures were supplied by Mr. J.E.Featherstonhaugh, Supervisor, Marketing Services, Dominion Department of Agriculture, Edmonton, Alberta.)

In the matter of freight rates on livestock, the Alberta producer does not request special treatment. In our opinion, however, the treatment which he now receives is not comparable to that given other major producing areas in Canada. The following evidence is presented for the purpose

of substantiating this opinion.

Freight rates have been consistently higher in the Prairie Provinces than in Eastern Canada. This is evident from the following table shich gives the standard mileage charges on intra-provincial livestock movements.

TABLE II

Intra-provincial Livestock Mileage Rates

Distance	(1) Maritimes	Eastern Canada	(2) Alberta	Pacific
5	4.25	5.5	6	8
30	9.5	12	11.5	13
50	13	16	15	19
70	14	18	18	22
100	17	21	23	27
150	19	24	27	32
200	21	27	30	35
300	25	33	36	44
500	35	44	49	61

(1) CNCL 29- 1
(2) CPW 9 - B CTCW. 3977

From Table II it is apparent that the Maritimes (due to M.F.R.A.) have the lowest rate on intra-provincial movements of livestock and that the Pacific Coast region has the highest rates. Up to 70 miles the Alberta rate is below the Ontario scale but after that point it is above the latter. Why does the standard charge in Alberta exceed the charge for similar movements in Eastern Canadian production areas?

Turning to two judgments (1) of the Board of Transport Commissioners which bear on this question we get the following information.

1. There exists a difference between the Eastern and Western rates on livestock.

(1) B.R.C.Judgments,etc. Vol XIII pp 245-247; Vol. XVIII pp 314-15.

2. This difference has been narrowed since 1914.

3. The Board has pointed out "(a) that difference of conditions existed between Eastern and Western Canada; and (b) the propriety of bringing rates and rate conditions closer to parity where practicable."

4. The difference in rules and regulations must also be given weight.

(i) Between points in Western Canada as well as in the case of shipments from western Canada to Eastern Canada reduced return transportation is granted to the attendant or owner. Between points in Eastern Canada there is no provision for reduced return transportation.

(ii) There is the special reduced basis of rates applicable in western Canada on stockers and feeders; there is no similar arrangement in Eastern Canada.

5. "If two articles of the same or identical nature are subjected to different rate treatment, then the rate is one factor which may render it difficult for the individual with the different rate or practice to do business in a common market; that is, the very material question is - Is there actual competition in the same market between the parties affected? The local movements in the West are not in any sense competitive with the local movements in the East."

Let us consider each of these points in turn. A reference to Table II confirms the first point mentioned by the Board, namely that there exists a difference between the Eastern and Western rates on livestock.

Item number two regarding the assertion that the difference has narrowed bears examination. Table III compares

the difference that exist on carload shipments of cattle at different dates as between the east and the west.

TABLE III

Carload charges on Cattle: January 1, 1914 March 15,1918
January 1, 1935 Dec.15 1947
and June 1, 1949.

From	To	Miles	1914	1918	1935	1947	1949
Claresholm	Calgary	82	26.00	30.00	33.00	33.00	40.00
Innerskip	Toronto	82	20.00	28.00	35.00	30.00	36.00
MacLeod	Calgary	109	31.00	35.00	38.00	38.00	46.00
Clifford	Toronto	109	22.00	30.00	38.00	34.00	42.00
Pincher	Calgary	139	33.00	37.00	40.00	40.00	4[illegible].00
Paisley	Toronto	135	24.00	32.00	40.00	38.00	46.00
Grassy Lake	Calgary	179	37.00	41.00	45.00	45.00	54.00
Chatham	Toronto	179	26.00	35.00	44.00	42.00	50.00

CNCL 30 CTC E 1438 Supp.49
CP E.760 CTC E 3876 Supp.50
CP W.9-B CTC W 3977

Table III indicates that from 1914 to 1935 the rates in Western Canada were actually approaching parity with those in the east; note in particular that the rate on the short haul from Claresholm to Calgary was less than the rate from Innerskip to Toronto in 1935. However the situation did not long remain that way. By 1947 the Western rates were above the Eastern rates by from $2 to $4 per carload. Yes, the difference has been narrowed since 1914 but we may well ask why it has lately shown a tendency to once again become wider.

With regard to the third point, namely, that there are different conditions and that the rate should be brought closer to parity we may point out two differences that bear directly upon livestock rates.

The first difference is in the volume of livestock traffic which moves in these two areas. Table IV is of interest here.

TABLE IV

The tons of Cattle and Calves, Sheep and Hogs Loaded at Stations in Alberta and Ontario, and the Totals Unloaded at These Same Stations.

ALBERTA

Year	Loaded Cattle	Sheep	Hogs	Unloaded Cattle	Sheep	Hogs
1931	84,913	12,757	54,558	44,042	7,019	21 482
1933	86,078	13,323	68,505	38,618	5,404	23,813
1935	134,258	12,879	64,353	47,588	4,022	29,690
1937	168,118	12,616	61,930	62,081	4,440	37,990
1939	114,914	11,879	60,205	35,059	3,907	37,489
1941	125,054	11,295	111,014	44,090	3,952	71,105
1943	140,550	12,986	195,467	88,279	6,716	120,926
1945	220,666	17,989	145,576	136,862	8,021	92,874

ONTARIO

Year	Loaded Cattle	Sheep	Hogs	Unloaded Cattle	Sheep	Hogs
1931	165,363	12,919	76,746	158,224	17,869	81,903
1933	151,702	7,016	76,852	121,733	10,755	64,476
1935	107,047	5,414	55,648	132,018	9,704	44,968
1937	125,287	4,483	71,408	151,506	8,828	54,911
1939	133,863	3,466	68,373	105,383	6,682	71,477
1941	133,879	3,817	88,715	118,265	7,468	87,305
1943	138,348	6,799	93,020	123,299	10,850	61,059
1945	198,750	7,995	72,779	162,374	10,422	-

This table comes from D.B.S.

Summary of Monthly Traffic Reports.

The most striking thing about Table IV is the substantial increase that has occurred in the tons of livestock loaded in Alberta. Paralleling this increase there has been a decrease in the Ontario loading. The increase in Alberta has not been without its fluctuations; nor has the decrease in Ontario been unretarded, but the trend is unmistakable. The relative advantage that Eastern livestock areas enjoy is declining due to increased urbanization, the demand for specialty products and the consequent increase in the price of land and other production factors; these all combine (freight

rates aside) to make it less profitable to raise livestock for meat in Eastern Canada. Such things as a "free freight" policy on feed and animals, can only delay the inevitable. Coupled with this relative decline in the east there is, and will continue to be, an absolute increase in the amount of meat products demanded. This increase can come only from the west.

From the standpoint of railway policy this means only one thing. The difference in volume between east and west has now shifted in favour of the west. If volume was a factor in making different livestock rates between these two areas it is now a factor arguing for equality if not for absolutely lower rates in the west.

The length of the intra-provincial haul is another difference worth noting. In Ontario the average haul, weighted by volume, would be less than 80 miles. This is apparent when one considers that the production zones of Ontario are concentrated within 100 miles of the principal market, Toronto. In Alberta the average haul is between 125 and 150 miles.

The difference in rates charged in Eastern and Western Canada is not due to difference in conditions as they presently exist; the two factors noted above confirm this. The difference in rates is due to historical factors which no longer exist.

With regard to the difference in privileges east and west it may be stated quite briefly that the reduced fare privilege is of no particular advantage to the producer and is something he would gladly forego in return for equality of rates in the West and East.

With regard to the special feeder rate the scale of rates applicable on the movement of feeder cattle from certain western stockyards to farmers' feedlots is shown in Table V.

TABLE V

Prairie Mileage Scale applicable on Cattle, Hogs and Sheep returned from Calgary, Edmonton, Moose Jaw, Prince Albert, Regina, Saskatoon, Winnipeg, St.Boniface, to farmers in Alberta, Saskatchewan and Manitoba for breeding, or for feeding, or finishing and reshipment.

MILES	RATE
5	4.75
25	7.5
50	11
70	13
100	17
150	21
200	22
250	25

C.P.R. W. 113F C.T.C. W. 3970

It has been said by the Commissioners that this reduced rate on feeders, coupled with the "privilege" just referred to, probably more than compensates Western Canada for the somewhat higher rate which she pays on ordinary traffic.

As we have already indicated the "privilege" can be dismissed as of small monetary consequence. What then is the saving effected by the feeder rate? The answer to this question can be given only after considering the movement that takes place under it. Table VI gives the movement of store cattle[1] from Alberta Yards to Alberta points.

(1) Store cattle are unfinished animals which require further finishing before slaughter.

(2) Annual Market Review. Dominion Department of Agriculture, 1930 to 1946.

TABLE VI[2]

Store Cattle Purchases for the Province of Alberta for the years 1930 to 1946.

Year	No.	Year	No.
1930	14,344	1939	32,909
1931	15,522	1940	36,474
1932	16,722	1941	52,382
1933	16,5~~38~~83	1942	42,522
1934	16,538	1943	51,332
1935	21,235	1944	55,374
1936	20,360	1945	72,257
1937	20,464	1946	69,692
1938	27,555		

Table VI shows the maximum number of cattle which can move under the "special" rate. We must now decide what percentage of this number is likely to move under the rate; we must also decide the average distance that they move. Considering the second item, viz. the average distance moved.

From the Annual Market Review we find that more than fifty per cent of the store cattle sold in Alberta are destined to Crop Districts 11 or 6.[1] That means that at least fifty per cent of the store cattle would travel on the average less than 35 miles to the feedlot. This figure of 35 miles would be a maximum, because many store cattle are fed in yards within 5 miles of the market, by what are termed "commercial" feeders. However let us use the 35 mile figure.

The balance of shipments, amounting to less than 50 per cent of the total, is concentrated in Crop Districts 2, 4 and 8. These districts straddle the main C.P,R.

(1) Crop District II centers in Edmonton and Crop District 6 centers in Calgary.

north-south line in Alberta and the average shipping distance would not exceed 75 miles. That is the picture in connection with the average distance.

If all the cattle moved on the reduced feeder rate, via railway, about half of them would move at an average rate of 10 cents and the balance at an average rate of 14 cents. The difference between the standard charge and the feeder rate is therefore in the first instance 3 cents and in the latter 4 cents. The average difference would be $3\frac{1}{2}$ cents per 100 pounds of animal, or roughly 28 cents per head. Referring to Table VI we can see that the gross saving as a result of the special rate would therefore vary between $4,026 and $20,232 if all the animals moved on this rate. As a matter of fact this is not the case. The best estimates that we have been able to gather indicate that not more than 25 per cent of the store cattle shipped from Calgary and Edmonton travel by rail at this reduced rate. This indicates that the yearly saving would vary from $1,007, to $5,058.

Offsetting this gain of something less than $5,100 is the extra rate paid on the movement of all finished animals. Considering the magnitude of this latter movement it cannot be supposed that the special rate confers a net advantage upon the shippers in Alberta. Without hesitation we may say that the gain from the special rate does not in any sense off-set the increased rates that are paid as a result of east-west disparity.

While on the subject of special privileges it may be of interest to note the fact that prior to April 14, 1949 there were three provided to eastern shippers which are not

available in Western Canada. The first of these was the stop-off privilege for completion of load. In Western Canada each stopoff is charged at the rate of $3.63 but in Eastern Canada the stopoff charges ranged between $1.21 and $3.63.

The second privilege concerns the stop-off for feeding. Western cattle move to the east under full domestic rate and are there finished for export shipment. They move from the eastern feed-lot to seaboard at one-half the export rate.

The third concerns the minimum car weight. In Eastern Canada the minimum car weight was 10,000 lbs. while in Western Canada the minimum is 20,000 lbs. As we said this was the situation prior to April 14th, 1949. On that date the stop-off privileges in Eastern Canada and the carload minimums were put at the Western level. We mention them today because for the last 20 years there has been that difference and we have no guarantee that it will not again come into being.

Item number 5 must next concern us. The Board has taken the stand that local livestock movements in the west "are not in any sense" competitive with the local movements in the east. This position is substantiated, in their minds, by the fact that there is no competition in the same market between Eastern and Western producers who ship to local markets. This, we maintain, is absolutely wrong.

Economists unanimously agree that although there may be a number of geographically separate places at which the business of selling and buying a particular commodity is centered, if these various places are linked together by price relatives and the physical means of transport they cannot be considered as separate markets. In any

case in which physically separate geographical "market" units, dealing in identically the same commodity (which can be transported), are the object of price arbitrage, they are from the standpoint of the marketers the same market.

Although we may speak of the "Calgary Market", the "Winnipeg Market" or the "Toronto Market", as if they were separate and distinct markets, every buyer and seller coming into any one of these places knows that the price he receives, or the price he pays, is a direct result of the competitive forces at work in all these places. The price at Toronto will never show a sustained difference from that which holds at Winnipeg by more than the cost of moving animals from Winnipeg to Toronto. The person who sells cattle, or hogs, or sheep, at Calgary is in competition with the producer who sells at Edmonton, Winnipeg and Toronto, in just as fundamental a sense as if they were selling their produce in the same yard. There is competition between the eastern producer delivering his stock to Toronto and the western producer delivering his stock to Calgary. There has been for a number of years and there will continue to be competition between these men. As a result any differences in the cost of transporting the stock to market will alter the competitive position of the man who pays the higher charge.

The Board asks "is there actual competition in the same market between the parties affected?' The answer in the instant case must be an unqualified yes. The difference in intra-provincial freight rates must therefore have the effect of weakening the competitive position of the Western producer.

The question we originally asked (WHY does the standard charge in Alberta exceed the charge for similar mileage movements in the east) must find its answer directly from statements that the Board of Transport Commissioners have made in their judgments. These statements we submit, after examination, are not in accord with the facts as they stand today. There exist no reasons for higher rates in Alberta today; there exist several important reasons for rates which are at least equal to, if not lower than, the eastern rates.

These comments conclude the statements which we wish to make in connection with the decisions of the Board of Transport Commissioners in the matter of livestock rates. Our purpose in dealing at length with these judgments is to acquaint the Commission with the manner in which the Board of Transport Commissioners has dealt with the matter of different livestock rates in the various producing areas in Canada. We feel that there never has been a complete understanding by the Board on these matters. We submit that this Commission should carefully appraise the relative transportation position of various Canadian livestock producers. We respectfully suggest that when this is done there will be revealed evidence to support the position that we adopt, to wit, that intra-provincial livestock rates within Canada should be the same.

We would like to draw the attention of the Commission to the situation in connection with the east-west movement of livestock. What has been said about the intra-provincial movement applies with equal force to these shipments.

TABLE VII illustrates the position in connection with the rates on eastern shipments. There is roughly a 20 per cent to 25 per cent increase in the eastern rates over those which would apply on a straight Prairie scale.

TABLE VII.

Comparative statement of rates on cattle, hogs and sheep from stations in prairie provinces to Toronto with rate for equal distance under prairie mileage scale.

Toronto From	Miles	Short Line Rate Via	(1)	Rate for equal distance via Prairie Mileage Scale (2).
Winnipeg, Man	1212.1	CNR	103	80
Brandon, Man	1346.0	CNR	106	86
Regina, Sask.	1568.3	CNR	129	96
Moose Jaw, Sask.	1609.8	CNR	134	98
Saskatoon, Sask.	1682.3	CNR	136	102
Prince Albert, Sask.	1733.7	CNR	137	104
North Battleford	1788.6	CNR	137	105
Edmonton, Alta.	2005.5	CNR	139	116
Calgary, Alta.	2053.2	CPR	139	119
Lethbridge, Alta.	1987.4	CPR	139	115

Tariff references: (1) C.F.A. 116-A, cC.T.C. 448

(2) C.N.R. W.244-C, C.T.C.W.1871
C.P.R. W.9-B, C.T.C. W.3977

In the opinion of the Federated Co-operative Services Limited, these are the several transportation matters which the livestock producers of Alberta wish to draw to the attention of this Commission. By way of summary, we beg to submit:

1. That the railway companies should be directed to equalize the present class and commodity rates on livestock on a basis of the lowest rate presently

in effect in any territory across the Dominion.

2. That the minimum weight on cars of livestock shipped should always be the same in all areas across the Dominion.

3. That the manner in which the Canadian railways have met competition should be thoroughly investigated with a view to determining the extent to which these competitive rates have created undue and unjust discrimination between livestock producers in the various areas in Canada.

4. That any rights and privileges granted to one area of Canada should be automatically extended to producers and shippers in other areas of Canada.

5. That the livestock industry in Canadá is of national importance and that for transportation purposes it must be treated as a national industry.

All of which is respectfully submitted by

Federated Co-operative Services Limited

on behalf of

The Livestock Producers of Alberta.

MR. FRAWLEY: Mr. Purdy, will you answer questions, please?

THE CHAIRMAN: Any questions?

CROSS-EXAMINATION by MR. EVANS:

Q On page 2 of your brief, not the summary - have you got the brief before you?

A Yes, I have.

Q I suggest to you that in each of the five years shown there that the value per pound of the various classes of livestock has increased every year since 1944?

A It has, yes.

Q And it is now at a rate per pound that is higher than it has been for many years?

A That is right.

Q On page 3 I think that perhaps there is a typographical error. I want to draw your attention to it. Near the bottom of the page, just before you come to table II, you speak of "standard mileage charges." You do not mean standard rates? You mean commodity mileage rates, do you not?

A That is right.

THE CHAIRMAN: Where is that?

MR. EVANS: Just before he introduces Table II. I think it is a typographical error.

THE CHAIRMAN: "Intra-provincial livestock mileage rates"?

MR. EVANS: Commodity mileage rates would be adequate just to distinguish from the standard.

THE CHAIRMAN: Are you talking about Table II?

MR. EVANS: No, just before Table II is introduced.

THE CHAIRMAN: "This is evidence from the following table which gives the standard mileage charges". That should be what?

MR. EVANS: Commodity mileage.

MR. FRAWLEY: We agree that has the same meaning.

MR. EVANS: Q. Now, is it not a fact that there is a commodity mileage rate between east and west on a low basis for livestock?

A Mr. Harries assisted me with this brief, and I would just as soon that he answered that.

MR. EVANS: Perhaps he can answer that from where he sits.

MR. HARRIES: I would not agree.

THE CHAIRMAN: We do not hear you up here.

MR. HARRIES: I do not think I would agree with that.

THE CHAIRMAN: With what?

MR. HARRIES: The statement that there is a special commodity rate applying on livestock movement between east and west.

MR. EVANS: From the west to east.

MR. HARRIES: From the west to the east.

MR. EVANS: You say there is not?

MR. HARRIES: I do not think I would agree with that.

MR. EVANS: We will give you the tariff.

MR. HARRIES: On page 13 those charges are given. It is in Table VII. The tariff reference is in there.

Is that the one you refer to?

MR. EVANS: That is the first column in Table VII, rate 1. That is the commodity mileage scale to T'ronto from these various outlying points. In the last column in that table are the prairie mileage scale rates which you say are lower than the through commodity mile,ge scale to the east?

THE WITNESS: Yes.

MR. EVANS: Q. Is it your complaint that the prairie scale is too low or that the other one is too high?

A My complaint is they are not equal anyway.

Q They are not equal?

A No.

Q Would you' ike the special rates on the prairies increased to the level of the special commodity rates to the east?

A No, I would prefer that they go the other way.

Q You want the other one reduced still further? You are aware, of course, that livestock rates were not increased in 1920, at least, the increase was not lowed to remain in effect?

A Yes, sir, I am aware of that. Possibly the reason was the value 'as so low they could not increase it. It did ot pay to move the stock at those prices.

Q You would not think that we deserve some credit for keeping the rates low?

A We will giveyou credit or everything,but not particularly for that.

Q You do not think so?

A No.

Q On page 5 I gather that Table III is intended to show that there had been disparity between east and west prior to about 1935?

A That is right.

Q And that that disparity had been approximately wiped out in 1935, and that you are now complaining that there is an increasing disparity against the west in the local rates within the east and within the west?

A Right.

Q Had you considered that movements to Toronto from these points you show are all in a very highly truck competitive area?

THE CHAIRMAN: They are what?

MR. EVANS: In a very highly truck competitive area.

THE WITNESS: These points - can I have the question again?

MR. EVANS: In Table III on page 5 --

MR. FRAWLEY: Mr. Harries is here, and as the witness has said, Mr. Harries assisted in the preparation of this brief, and he is prepared to answer these questions. If Mr. Purdy can answer them that is quite all right.

THE WITNESS: These have been prepared by Mr. Harries, and I would much prefer that he answer the questions.

MR. FRAWLEY: You would be quite content for Mr. Harries to answer?

THE WITNESS: All questions.

THE CHAIRMAN: Then I think it would be better

if Mr. Harries would take the stand.

HU HARRIES, Recalled

CROSS-EXAMINATION by MR. EVANS:

Q Now, then, Mr. Harries, we will try to start again. The complaint, as I get it from page 5 of the brief, is that, although the disparity which had existed prior to 1935 was wiped out as between local rates in the east and local rates in the west on livestock, the complaint now is that disparity has again become widened?

A Yes, sir.

Q What I want to get from you is whether there has been taken into account in making this complaint the fact that the movement to Toronto from these points that are shown in Table III is perhaps the most highly truck competitive area in Canada for livestock?

A Well, I believe first of all these are not the truck competitive rates that we are using here. These are the standard or commodity mileage charges that apply on livestock, so that the competitive situation is taken care of by another set of rates. I do not think those are the rates we are talking about here.

Q Let us take the rate from Innerskip to Toronto, which is shown as 35.00 on a carload of cattle for 1935. Do you suggest that we actually reduced that $5 for any purpose other than to meet competition?

MR. FRAWLEY: What reduction?

THE WITNESS: There is a reduction from 1935 of $5.

MR. EVANS. Q. Are you suggesting that seriously?

A I don't know what the reason is, but the thing I am suggesting is these are not truck competitive tariffs, as I remember, that we are using here. There is another set of tariffs that apply to meet truck competition. I think that is correct.

Q You mean that there are rates even lower than these?

A As I remember it, yes, sir, they are.

Q I wish you would be sure about this. I have not got the tariffs here, but I suggest to you that it is inconceivable that we would reduce rates to the Toronto market unless we were forced to do so by competition. Do you think that would be reasonable?

A Yes, I do.

THE CHAIRMAN: Q. When you say there are other rates which are lower do you mean rates on other commodities, not on cattle?

A No, the situation was that a year ago when we were working on this there were commodity mileage tariffs for livestock which applied in eastern and western Canada. Then there was a second group of rates, truck competitive rates, that applied in eastern Canada and in western Canada. Those truck competitive rates were quite different, and we had a comparison on those, but on April 15 of this year the truck competitive rates that applied in eastern Canada were removed. The tariff was withdrawn. Therefore we did not bring the truck competitive situation into this brief.

Q They no longer apply?

A Not since .pril 15 of this year, as I understand

it. As I remember it these are commodity mileage rates which apply on livestock, and there are lower charges which applied, and those are the truck competitive charges.

MR. EVANS: Q. Then what you must mean by Table III is that the commodity mileage rates in the east were reduced between 1935 and 1947?

A That certainly looks like it, sir.

Q I suggest to you that is not the case.

THE CHAIRMAN: That is not the case?

MR. EVANS: That that is not the case.

Page 1791 follows

MR. FRAWLEY: Will you give us the tariff references, if you can?

THE CHAIRMAN: You said yesterday that the reduction was made on account of truck competition.

MR. EVANS: That is my information, although we have not got the tariffs with us. We are having difficulty in checking it.

THE WITNESS: I could check that point for you, Mr. Evans

MR. EVANS: Q. I wish you would. The mileage scale agreement is exhibit 57 in the 21 per cent case. There was a cent a hundred pounds odd for 80 miles in 1946.

A. A cent a hundred, on a 20,000 pound car; that would be $2; and we show a difference of $3.

Q And there is one half a cent at 110 miles?

A. Yes.

Q. And there is one half a cent at 140 miles; that takes in the third group?

A. We are in agreement on the third group.

Q. That would be two to one; and there is a cent at 180 miles. Does that tie up?

A. Roughly, except for the second movement on 109 miles. But we can check them. These tariff references are accurate.

Q. Your information was that those commodity mileage rates in the east have been reduced between 1935 and 1947?

A. This table appears in a judgment of the Board of Transport Commissioners. I wrote to them and asked them to bring it up to date for me. That is where those figures came from.

THE CHAIRMAN: We shall stop now.

--- The Commission adjourned at 1 p.m. until 2.30 p.m.

A F T E R N O O N S E S S I O N

THE CHAIRMAN: Very well, Mr. Evans.

MR. EVANS: I would like to make this observation to the Commission.

THE CHAIRMAN: All right.

MR. EVANS: The table 3, about which I was conducting some cross examination at the adjournment - the purpose of table 3 is to substantiate the contention that a disparity, which had been narrowed to almost nothing, had again become widened after 1935; and I challenged the witness, on pure memory, as to the decrease in the eastern rates after 1935. I have since checked that, and I have spoken to Mr. Harries, and I want to give this information to the Commission: That there was no change in the commodity mileage rates on livestock in eastern Canada since 1921, except the 21 per cent increase; and the figures in the column headed 1935 and 1947 are wrong in every respect, one way or another.

For example, the figure on the haul from Innerkip to Toronto - and by the way, Innerkip is incorrectly spelled in the brief, the "s" should be taken out - the 1935, of 35 is correct; but the $30 figure should be $35 in 1947.

THE CHAIRMAN: There is no change?

MR. EVANS: There is a change there, sir; 35 and 35; no change between 35 and 1947.

THE CHAIRMAN: The same figures?

MR. EVANS: So the error is in the last but one column, where 30 should be 35; and in the final column the figure $42, in the 1949 column, makes a comparison of 42 to 40. And taking the last figure in the 35 column,

44 is correct with the Chatham to Toronto haul. But the figure in 47 column should be 44, and the final column should be $54 instead of $50.

COMMISSIONER INNIS: Would you mind repeating that?

MR. EVANS: In the 1935 column, in the haul from Chatham to Toronto, the $44 is correct; and in the 1947 column instead of 42, it should be 44; and in the 1949 column, the figure should be 54 instead of 50. I have given my friend the reference to the tariffs to check.

MR. FRAWLEY: The column headed 1935 is correct in all respects; and we have taken a note of what Mr. Evans has said with regard to 1947 and 1949. Mr. Harries says he wants to check all this information again, which he obtained from the Board of Transport Commissioners' officers and he wants to have an opportunity, at some time or place - because he will be before the Commission later on this year - to say something further about this table.

MR. EVANS: I have checked and I find that there are no lower rates than those in eastern Canada, even to meet truck competition; and I think the witness suggested that there were.

MR. FRAWLEY: That also is at variance with what Mr. Harries said, and that also will be very carefully checked.

MR. O'DONNELL: My information was that there had been no change since 1921. And in the report which Mr. Harries referred to this morning, or rather, Mr. Harries referred to the cost of the Calgary livestock and cattle, which is reported in 13 J.O.R.R. And in that connection I would like to make reference to the later report of the Board of Transport Commissioners in volume 17, J.O.R R. which is the General Freight Rate Inquiry of 1927.

MR. O'DONNELL: What I have is not on page 4; and for the information of the Commission I would like to put this extract in the record from 17 J.O.R.R. at page 309; an extract from the report of the Chief Traffic Officer which, as is stated at page 305, was concurred in by the Board at that time. At page 309, it reads:

> "The carriers point out that the question of reduced rates is approached entirely from the standpoint of assistance to the livestock industry. They refer to the assistance that they gave to the livestock industry in 1921, following the serious condition existing in 1920 as result of the post-war deflation. At that time the industry was in a very serious condition and effective August 15, 1921, the railway companies reduced the rates on cattle, hogs, and sheep locally in both Western and Eastern Canada by taking off all the increase in rates authorized by the Board effective September 13, 1920, while from Western to Eastern Canada a reduction of 20 per cent was made. This action had the effect of making a greater reduction from the peak level of freight rates in the case of livestock, than has yet taken place with respect to other commodities, except in the case of the Crows Nest grain rates which are statutory. The carriers point out that there has been a marked improvement in the livestock industry since 1921......."

And so on.

Page 1797 follows

There has been an even greater improvement in the livestock industry at this time.

Then in further elaboration of that point, at page 315, they report goes on to say:

"One thing is very clear from the record and that is, there are a great many factors which affect the livestock industry to a much greater extent than the freight rate, as without any alteration in freight rate most marked changes have taken place in the industry and violent fluctuations in price.

"In 1920 and 1921 the livesstock industry was in a very serious condition, yet the rates thereon were not considered by the Board to be unreasonable as railway rates, having in view cost of railway operation and general level of freight rates. While, therefore, in 1921 the Board did not feel justified or see on what grounds it could order a reduction in rates; as a result of round-table conference and to assist the industry in the serious condition then existing, the carriers made the reduction in rates which has already been referred to herein. In other words, there has been a substantial reduction in the rates that were then considered in themselves to be reasonable, and there is nothing on the record indicating that there has been a change in railway cost of operation or other conditions of such a character as would now justify the Board in finding that the present rates on live stock, embracing as they do the substantial reductions referred to, should be further reduced. Further, I do not consider that a case of unjust

liscrimination has been made out.

"With regard to rates from Alberta points to Vancouver, such evidence as was adduced does not, in my opinion, warrant any direction as to reduction in these rates."

That, I think, bears out Mr. Evans' statement and my own information, that there had been no change in that situation until the 21% increase last year.

Mr. Harries referred, or the brief refers, to a number of items, such as the reduced fare privilege and the special feeder rate and stop-off for feeding and so on. In the same report, and particularly at page 314, those matters are all referred to. I do not intend to take the time of the Board to question a witness on it, but it might be a convenience if we just put it on the record at this point, especially in view of the point that Mr.Harries referred to the C.lgary Live Stock Exchange Case this morning in 13 C.R.C. It is one paragraph. This is at page 314:

"Reference has been made to differences in the rates applying locally in Eastern Canada as compared with the local movements in Western Canada. In this connection what is stated in section XIII of Board's Judgment in the application of the Calgary Live Stock Exchange, Vol. XIII, Board's Judgments, Orders, Regulations and Rulings, page 233, (at pages 245-7) is particularly relevant. Aside from the differences in rates there are other factors with respect to which the advantage is with the local movements in Western Canada. For example, between

points in Western Canada as well as in the case of shipments from Western Canada to Eastern Canada, reduced return transportation granted to the attendant or owner, who has travelled in charge of the shipment, at one-half the regular first class fare. Between points in Eastern Canada there is no provision for reduced return transportation. In any rate comparison this has to be taken into consideration. Again there is the special reduced basis of rates applicable in Western Canada on stockers and feeders which witnesses for the live stock industry admitted was a very important concession; there is no similar arrangement in Eastern Canada. Equalization as applied for would involve complete equalization and it would seem very questionable, from the record, if this would not result in disadvantage to Western Canada."

I think I will just leave it at that rather than question the witness any further on that. There was just one statement of Mr. Harries on page 12 of the brief, where he was speaking of equalization, or the brief speaks of equalization.

H. HARRIES, recalled

CROSS-EXAMINED BY MR. O'DONNELL:

Q. Page 12 of the brief: I take it that if the matter of equalization is to be considered, then that would mean complete equalization, and would necessarily have to take into consideration all traffic which moves in the east as compared with all traffic which moves in the west?

A. Speaking of equalization of the livestock rates?

Q. Of rates generally, or livestock rates?

A. Well, this is livestock.

Q. Well, you cannot treat the thing piecemeal, can you? If we are going to discuss equalization it must be complete equalization?

A. From the standpoint of the Federated Co-op Services Limited, they are speaking with reference to livestock.

Q. But if you intend to argue for equalization in rates east as against those west, then you must look at the entire picture east as well as west, mustn't you?

A. Yes, I think that is fair.

Q. And in that connection, the grain rate, for instance, or the traffic which moves on grain rates, must be taken into the western sphere of the total traffic in order to compare?

THE CHAIRMAN: Mr. O'Donnell, would you please tell us just what page that is?

MR. O'DONNELL: Page 12, my lord, the second paragraph; the numbering is at the bottom.

THE CHAIRMAN: Where he says, "There exist no reasons for higher rates in Alberta today"?

MR. O'DONNELL: That is right. I just asked him if he were contending for equalization whether it would not be fair to do as the Board suggests in that extract that I read, and that is, take the entire picture into consideration?

THE WITNESS: In connection with livestock rates, yes.

MR. O'DONNELL: Yes, and anything else.

EXAMINED BY MR. FRAWLEY

Q. Now, Mr. Harries, on page 12 of this brief, when you say: "These statements, we submit after examination, are not in accordance with the facts as they stand today. There exist no reasons for higher rates in Alberta today" -- what kind of rates is the brief talking about?

THE CHAIRMAN: Whereabouts is that?

MR. FRAWLEY: In the middle of the first complete paragraph on page 12.

Q. "There exist noreasons for higher rates in Alberta today." What kind of rates is the brief talking about?

A. The rates on livestock.

Q. Now, my friend Mr. O'Donnell called your attention or, rather, the attention of the Board to two or three passages at page 310 of the 1925-27 inquiry. Do you find the passage at the top of page 310 to which Mr. O'Donnell was calling attention, or at the bottom of page 309:

> "At that time" -- meaning in 1921 -- "the livestock industry was in a very serious condition, and effective August 15, 1921, the railway companies reduced the rates on cattle",

and so on. You have that passage in front of you?

A. Yes, I have.

Q. Now, what comment have you got to make as to that, in connection with the way in which you have treated it in your brief?

A. The thing we were trying to do in this brief was to find out the reasons for differences in the treatment that livestock producers in eastern and western Canada received. For that purpose we went through the findings of the Board of Transport Commissioners to get the facts that they had given which justified the difference in these rates, and so this brief is directed to examining those in the light of the statistics which we have available. And with regard to the matter on page 310 to which Mr. Frawley has referred, those reductions, as it says in here, were made in both western and eastern Canada, so that that did not alter the competitive position between eastern Canada and western Canada; that is, as we said in the brief here, Alberta does not request special treatment, we only request the same kind of treatment as other livestock producers in Canada get. Now, the reduction which the railways granted was granted in eastern and western Canada, so it did not alter the relative position of the livestock producers.

Q. Now, Mr. O'Donnell also referred to a passage and read a passage on page 314 of the report of the Board in the general inquiry in 1927. Do you see the page starting, Reference has been made to differences in the rates applying locally"?

A. Yes; this refers to the privileges which are

granted to the Western producer which are not granted to the Eastern producer. Now, we examined these two particular privileges, one the half-fare on the return voyage of the person who accompanies the live stock. The live stock people in Alberta were of the opinion that that was not a very important concession, and that certainly if it was going to be suggested that it was one reason for having differing live stock rate levels, it should be removed. As a matter of fact, they did not seem to think that concession was particularly important. Then, secondly, this matter on 314 refers to the ---

Q. Page 314?

A. On page 314, refers to the reduced feeder rate which is granted. We did some statistical work which is recorded in the brief here, starting at page 8 and following through 9 to the top of 10. We attempted to calculate what the saving to the live stock producer was as a result of this, which had not been done, as far as we knew, in the Board's Judgment. They had merely said that this is a concession which is important, and we tried to measure the importance of that by using the statistics, and we found that there was a gain, the maximum gain would be $5,000 a year on this particular concession, and when we ---

THE CHAIRMAN: Q. $5,000 for whom?

A. For the live stock industry in Alberta, which was using the privilege --

Q. In Alberta?

A. Yes; and then when you offset that against the total cattle movement, that is, distinguishing feeders from

the total movement, the livestock producers that we were in conference with decided that this was a benefit, but it certainly was not a benefit that offset the increased cost that their other movements had been meeting. That is really why we tried to examine those statements that Mr. O'Donnell put into the record.

Q. Well, I simply wanted your comment on the passages Mr. O'Donnell was reading, and Mr. O'Donnell now tells me that he had really not finished, and I am very sorry that I interrupted my friend in his cross-examination.

MR. O'DONNELL: That is all right; I just had one question.

CROSS-EXAMINED BY MR. EVANS

Q. May I ask this, since you have given this explanation: would your view as to the importance of that relatively be changed, in view of the changes that appear to have to be made in Table 3?

A. I think, Mr. Evans, that the view of the Federated Co-op Services, who are speaking for the live stock people, is that there should be equality of treatment between east and west, and I presume if that involves them giving up a small privilege that they have here which is denied in eastern Canada, they would be quite willing to go along with that.

Q. You apparently did not hear my question, Mr. Harries. I said, in view of the changesthat have to be made in Table 3 there does not appear to be any disparity there, and perhaps this other thing is important now.

A. No; if table 3 shows that there is no difference in rates between east and west, then of course I think you can take it that we have not got a case.

MR. O'DONNELL: And still give up the privileges.

COMMISSIONER INNIS: Q. May we raise the question as to how you acquired these statistics which were apparently inaccurate?

A. Sir, as I remember it, I noticed the first part of the table of that set-up in the case which is reported in 13 J.O.R. & R. on page 247.

MR. FRAWLEY: Q. What is the name of the case, Mr. Harries?

A. That is the Calgary Live Stock Exchange, the one which has been referred to previously. I wrote to the Board of Transport Commissioners and got the rates which applied on these movements.

COMMISSIONER INNIS: Q. You mean the Board, then, has given out inaccurate information?

A. Well, I would not wish to say that, because this thing has been transcribed at least ten times, and it might be errors on my part or on the part of the people who typed it. I would want to check very closely before I said that the Board had given out inaccurate information, because they usually are pretty good as far as that goes.

MR. O'DONNELL: I have just one question.

CROSS-EXAMINED BY MR. O'DONNELL

Q. Table VII, Mr. Harries, on page 13: you set out a series of rates there, and mileages, and so on, but that table does not take into consideration the fact that in the areas around Toronto and east of Toronto there

are groupings under which rates apply to a number of points at considerable distances from Toronto, for instance Windsor and even Montreal

A. M'hm.

Q. Which would be carried for the same rate

A. M'hm.

Q. For instance, that shipment from Winnipeg, the first one there, from Winnipeg to Toronto, while you have just given the Toronto mileage and the rate to Toronto, the fact is that your shipment from Winnipeg would go a considerable distance further east for the same rate?

A. Yes; so it might be fair to take the maximum mileage that they can move.

Q. You have taken simply the shortest point

A. No, I think we took about a mid point on that mileage, sir. That is, Toronto is about midway in that group, as I understand it, so that we picked a mid point rather than taking either the shortest or the longest.

Q. Well, in any event, the table as set out does not show those groupings and does not point out the fact that the shipment would be carried quite a number of miles further on that same rate?

A. Or quite a number of miles less on the same rate, sir.

Q. Yes; all right. Now, to points east of Montreal, you are aware of the fact that the shipments are carried to points east of Montreal on arbitraries that are low, quite low?

A. Yes.

Q. And beneficial to the West in that respect?

A. I doubt whether it would be beneficial on movements of live stock. There is very little live stock that would move.

Q. For instance, the distance from Winnipeg to Halifax I am informed, is 2,052 miles; that sounds right to you, does it

A. (No answer)

Q. The rate there is $1.17, whereas the prairie scale for that distance is $1.19. Those arbitraries east of Montreal are very beneficial on shipments, are they not, from the West?

A. I think it would be difficult to say, sir, that they are beneficial if you do not ship any live stock on them.

THE CHAIRMAN: Q. Well, do you, as a matter of fact?

A. No, sir, not that I am aware of. Analysing the figures, we find that the bulk of the movement or nearly all eastern movement goes down to Montreal or Toronto from here. That is my understanding of it.

MR. O'DONNELL: Q. Well, in any event, if the prairie scale were used rather than the arbitrary over Montreal, the rate would be higher?

A. As a matter of fact, sir,--I think ---

Q. Isn't that correct?

A. Yes.

Q. Thank you.

MR. FRAWLEY: It is arithmetically correct.

COMMISSIONER ANGUS: Q. Mr. Harries, on page 2 you speak of the people of the European countries who depend on substantial quantities of beef, bacon and ham; what countries do you mean?

A. Sir, I would only have to go from a general reading of this; I could not be sure of them, but of course we have shipped substantial quantities of bone beef and ham and bacon and so on to Britain, and there were also large shipments going into Germany and into France, and I think those have decreased, because our marketings have decreased and their production has come along.

(Page 1811 follows)

Q But is the point of this that the price in these countries would be higher if the freight rates here were higher?

A Oh, no. The price in the British market - I think if the price there is established - the seaboard Canadian price is the one that is effective, and the further you move inland the less the producer gets because of the transportation haul, so I would think it is a cost on the producer rather than directly on the consumer.

Q Then in what sense would this be important not only to the producers but also to the people of these countries?

A I would think if transportation charges were relatively high here that production would be discouraged, particularly on hogs, and that there would not be the volume to go forward, so that you just would not have the hams and the bacon, and so on.

Q And they would not pay a higher price?

A No, I mean the producer would not raise these things, not simply because of freight rates. Freight rates are just one aspect of the price situation.

CROSS-EXAMINATION by MR. COVERT:

Q. There is one question I should like to ask. On page 13 of the brief there is a summary at the bottom of the page. The first point is:

> "That the railway companies should be directed to equalize the present class and commodity rates on livestock on a basis of the lowest rate presently in effect in any territory across the Dominion."

Would that include a rate under the Maritime Freight Rates Act?

A No, I think we look on that as a special rate. We are thinking of the eastern standard rates.

Q Your second point is:

"That the minimum weight on cars of livestock shipped should always be the same in all areas across the Dominion."

I was wondering if that would give an advantage to the western shipper. I am not saying it is wrong. I am coming to that, but would that give an advantage to the western shipper, and he would be able to more easily obtain the minimum?

A I don't know the situation well enough down in eastern Canada to know whether they would have trouble making a 20,000 pound minimum or not.

Q In any event, would you go as far as to say that if it did give them an advantage it is an advantage to which they are entitled in any event?

A Yes, I think I would say that.

Q Point No. 3 at the bottom of page 13 deals with competition. I think perhaps this is somewhat the same question I asked you the other day. Do you think that the competition should be thoroughly investigated - was it you?

A Not that I remember, sir.

Q The summary says:

"That the manner in which the Canadian railways have met competition should be thoroughly investigated with a view to determining the extent to which these

competitive rates have created undue and unjust discrimination between livestock producers in the various areas in Canada."

What I should like, for the benefit of the Commission, are your views on the introduction of competitive rates. Do you think there should be some investigation before they are allowed to become effective, or that they should become effective subject to the railway showing that there is real competition, and that the rate that they put in is necessary to save --

A Well, I don't know as I have formed an opinion on just what is required, but I think that the question that the livestock producers were interested in was the difference in the competitive rates which apply in Ontario and in Alberta. I know we analyzed some figures on the extent of the truck movement in Alberta as compared to the truck movement in Ontario, and we were persuaded from considering those figures that the truck competition in Alberta in the carriage of livestock was just as important as the truck competition which exists in Ontario. Yet there was, until April 15 of this year - I believe that is the date - quite a substantial difference in the rates which applied to meet competition in those two areas. I believe that the livestock producers whom we work with felt that was an unjust discrimination, and that they were then requesting that the Commission might consider looking into that particular problem.

THE CHAIRMAN: Q. What do you mean by meeting competition? Do you mean to drive it out of the way or just jog alongside of it? How low should they be allowed

to go?

A I think so that they get a part of the traffic and the other carriers get a part of it. I do not know that that has always been the idea.

Q But if they go so low as to oust competition would that be beneficial to you in the long run?

A I really don't know.

Q When you say to meet competition you do not mean to get rid of it?

A No, we do not mean to eliminate it.

MR. COVERT: Q. Do you know whether the province proposes to make available to the Commission those figures which you just mentioned as to the comparison of truck competition in Alberta and Ontario? Will that be a part of the province's case?

A I don't know whether it would be or not, but we have those figures.

Q You have those figures. Could you file those with the Commission?

A Yes. May we file it as an exhibit to this brief?

Q Yes.

A We will certainly do that.

Q. That will be Exhibit 23.

EXHIBIT NO. 23: Comparative figures on truck competition in Alberta and Ontario.

MR. EVANS: Q. I have one question arising out of what Mr. Covert asked you. I got a little confused on one of your answers. In speaking of the way in which the railway meets competition in the east, you say if there

is competition in Alberta the railway should also meet it there. Is that your proposition?

A No, I think that as far as we would go is to say that we would suggest that the Commission investigate the manner in which competition in the two areas has been met, for the purpose of finding out whether there is unjust discrimination created.

Q Are you now suggesting that this Commission should investigate competitive rates to determine whether there is unjust discrimination only? Only?

A No, that is one point that the livestock producers would be interested in.

Q What I want to get is what you are suggesting. I thought I knew until you gave an answer to Mr. Covert. The answer you gave to Mr. Covert was that if the railways meet competition in the east they should also meet it where it was in Alberta.

MR. FRAWLEY: I do not think that was the point at all.

THE WITNESS: No, I said when we were examining the figures we found that there appeared to be as much competition here as there was down east, and we noticed the difference in the rate. We felt that that would give the eastern man an advantage, having a lower rate, and on the basis of the same competition, so that we would suggest that be looked into to see whether there is in fact unjust discrimination created as a result of the difference in treatment.

MR. EVANS: Q. That is where I am afraid you got me a little bit confused. You say on the basis of the

same competition. The basis of the same competition, which has always been the factor to determine whether unjust discrimination exists, is the same competition to the common market. I gather you are suggesting if the railway had competition in Alberta to an Alberta market, and there was competition from a point in Ontario to an Ontario market, that we should also meet the competition in Alberta if we chose to meet it in Ontario?

A My point is, as we develop it in the earlier part of the brief, that as far as the livestock industry is concerned there is only one market, so a difference in treatment on transportation matters in one section of the country means that the other persons in other parts of the country are in a sense discriminated against.

THE CHAIRMAN: Q. Where is that one market?

A Well, what we refer to as the livestock market. It starts at --

Q What page is it?

A Page 10. It starts with the words, "Item No.5 must next concern us."

Q Yes.

A And it goes until the top of page 12.

Q You just said there was only one market for livestock?

A Yes, sir.

Q What do you mean by that? What market? Where is the market? Where is the only market for livestock?

A Well, it is not a market in a physical sense, but a market if you look on the definition of market as a place where price is determined. It is in this brief as well as I could put it, sir.

MR. FRAWLEY: Q. The top of page 11 starting with the paragraph, "Economists unanimously agree", and so on?

A Yes.

Q The top of page 11?

A As I said, from the bottom of page 10.

THE CHAIRMAN: Q. "Economists unanimously agree that although there may be a number of geographically separate places at which the business of selling and buying a particular commodity is centered, if these various places are linked together by price relatives and the physical means of transport they cannot be considered as separate markets."

Have you those conditions in Canada for livestock?

A Yes, sir.

Q Prices which are linked together by price relatives, whatever that means precisely, and of course the physical means of transport. That exists in Canada?

A Yes, sir, it does.

Q East and west?

A Yes.

MR. EVANS: Q. I was really trying to get your view. I am not trying to argue with you. You say there is only really one market in Canada?

A One livestock market.

Q Where is that market?

A Well, I think I can best explain it by either reading you what I have said here on pages 11 and 12 or referring you to it.

Q I am talking about the question of meeting competition. We have got this situation. You have got a competitive situation, we will say, between a point in Ontario and the Toronto market, and a competitive situation between an Alberta point and we will say some Alberta, Saskatchewan or Manitoba market. If the competition is met in the east to the Toronto market you say the competition should be met in the west to the western market?

A That is if the same element of competition is present I say yes.

Q If the same element of competition is present.

THE CHAIRMAN: And the same rates, I suppose. Have we ever been told whether trucking rates are lower in eastern Canada than in western Canada? It seems to me that is an important ingredient.

MR. EVANS: It is. I do not think anyone can say categorically that is so. We know we have some of the lowest truck competitive rates in the west.

THE CHAIRMAN: Is it not a matter of comparison when you say that competitive rates in the west, as between the railways and truckage, still leave the railway rates higher than they are in the east? Possibly we can find out what the truckers' rates are in the east.

MR. EVANS: That is quite true, but there are other aspects than the mere truckers' rates. For example, you may have to meet competition --

THE CHAIRMAN: I know that, but in the first place there are the rates, and I do not know yet whether the truckers' rates are higher in Alberta than they are in Quebec or in Ontario, or whether they are lower.

MR. EVANS: I do not think anybody can say categorically.

THE CHAIRMAN: They are an important element in what you do with your freight rates.

MR. EVANS: Exactly, but what you do is you may have to calculate the cost of trucking, or you may have to meet a trucker's quoted rate. There is no stability in trucking rates either in Alberta or Ontario.

THE CHAIRMAN: It is a fluctuating rate?

MR. EVANS: Yes.

THE CHAIRMAN: That is another question.

MR. EVANS: Q. Have I got your view now, Mr. Harries, that if the railway chooses to meet competition in the eastern area to the Toronto market, it should be compelled to meet competition in exactly the same way elsewhere?

A In the presence of the same competitive elements, certainly.

Q In other words, the railway cannot choose when it will meet competition?

A That is right.

RE-EXAMINATION by MR. FRAWLEY

Q Just let me ask you one question. What you are saying is that in Ontario there is competition between the trucks and the railways moving from the Ontario farming points to the Toronto market?

A Yes, sir.

Q And the railways have met that by the establishment of a certain scale of rates?

A Yes.

Q Then you go out into Alberta and you find that again there is competition between the trucks and the

railways on the movement from the farms to the markets or packing plants, but you say that when you look at the rates which the railways have granted to meet truck competition in the east and compare them with the rates which the railways have granted to meet truck competition in Alberta, that there is a disparity. That is what you are bringing to the attention of the Commission?

A Yes.

Q That is what I thought was the whole point.

THE CHAIRMAN: What I say is that we have not all the elements to know whether the disparity is justified.

MR. FRAWLEY: That is true, sir. You cannot go to the truckers in Alberta and look at a published scale of rates because rates are not regulated in this province.

THE CHAIRMAN: They are not regulated.

MR. EVANS: Nor in Ontario.

THE CHAIRMAN: In what provinces are they regulated? Manitoba?

MR. FRAWLEY: Manitoba and Saskatchewan and parts of British Columbia. That is what we were told at various times.

Q Is there anything else, Mr. Harries?

A No.

MR. COVERT: The next submission is that of United Farmers of Alberta Co-operative Limited.

NORMAN F. PRIESTLEY. Called.

MR. FRAWLEY: This is another case where, at the

request of the Commission, a short summary has been prepared by the witness.

Q You are the General Manager of what is now known as the United Farmers of Alberta Cooperative Limited

A That is true.

MR. EVANS: Would you mind if I speak to this brief?

Page 1830 follows

Might I say to the Commission, with the greatest respect, that because of the very large number of briefs, I have now got to the stage where it has been found impossible to check the last few. We have neither read them, nor have our traffic men had time to look them over. The idea of summarizing a brief - while it is of advantage, when you have seen the brief before - nevertheless, if you have not, it makes it impossible to contribute anything by way of cross examination. So I thought that, as this is the longest brief of any length, the Commission might see its way clear to have it read in toto.

THE CHAIRMAN: This is the last brief for today.

MR. FRAWLEY: No, no. There are a couple more. But this is the only one of any size.

THE CHAIRMAN: But this is the only one on this list.

MR. FRAWLEY: There are two, Mr. Chairman; and we are going to ask that the Commission hear them. One is the Western Stock Growers, and the other one is the Pure Bred Livestock.

THE CHAIRMAN: Following Mr. Evans' suggestion we think it would, in the long run, save time, if we had this brief read in full

MR. FRAWLEY: I agree, Mr. Chairman, it would be more satisfactory in any event.

MR. FRAWLEY: Q. Will you please proceed to read your brief then, Mr. Priestley?

Gentlemen: As an affiliate body of the Alberta Federation of Agriculture engaged in the co-operative distribution of farm supplies and other consumer goods, we are glad to avail ourselves of the privilege of appearing before this Commission to present a point of view. Large numbers of our citizens, both rural and urban, are keenly conscious of the importance of the subject under consideration, in its relation to the whole Canadian economy and more particularly, to the people of Alberta, in whose interests we appear.

THE ORGANIZATION

The United Farmers of Alberta Co-operative Limited is the new name adopted on December 1, 1948, at the last annual convention of the United Farmers of Alberta, one of the oldest farm organizations of Canada. Prior to that time the activity now carried forward under that name was conducted through a subsidiary organization, U.F.A. Central Co-operative Association Limited. The United Farmers of Alberta was established by amalgamation of two bodies in January of 1909. It was a central organization of local farm groups, numbering as high as 1,200 at one time. Large numbers of these local groups engaged in some form of co-operative buying of farm supplies over a period of many years to such an extent that the central organization met their demands in 1931 by setting up a committee to consolidate their buying. This action resulted in the incorporation of the subsidiary commercial organization referred to above, in 1932.

The convention of last December separated the subsidiary and the parent body, established the co-operative

on a share capital basis instead of a basis of membership; so that the body is now an independent co-operative carrying on the farm tradition but open to all consumers.

Measured in dollar volume, the business of the co-operative is about equally divided between the distribution of petroleum products to farmers from wholesale oil plants as well as to the general consumer through associated retail outlets or service stations, and the sale of general merchandise at some 20 stores scattered throughout the province. A minor phase of the business is the distribution of bulk supplies at several score points in the province including coal, fence posts, binder twine, stock salt, etc. in carlot quantities. The co-operative serves some 25,000 members and patrons at approximately 180 points on almost every railway line and principal highway of the province.

The co-operative is not a marketing organization and for that reason the committee preparing this brief felt that only incidental reference should be made to the question of freight rates as it affects the marketing of farm products, preferring to leave that phase of the interests of farm people in these matters, to those affiliate bodies of the Federation which are engaged in co-operative marketing.

KEEN INTEREST IN SUBJECT

In discussion of these matters over the years, frequent reference has been made to the fact that the province of Alberta straddles the peak of the freight rate structure of our two Trans-continental railways. This fact makes the question before the Commission of particular interest to the farmers of the province who pay maximum freight charges on

goods shipped to other provinces of Canada, or marketed abroad, and at the same time are confronted with maximum costs for manufactured goods used in their operations or purchased for domestic purposes, because of the inclusion of freight charges from points of manufacture in Canada, east or west, or imported overseas. We believe that Alberta citizens are at a disadvantage in the competitive struggle compared with other provinces of Canada, because of these conditions; freight charges being a considerable factor in reducing net returns to farmers on the one hand, and increasing the cost of living to the general consumer, including the farmer, on the other hand. This has been recognized from the earliest days of settlement. It was a rye joke of the pioneer settler when the price of manufactured goods was up for discussion; and frequently found expression in the remark "It's the freight." There was no question as to the truth of this observation in the days of the ox cart, but it has remained relatively all too true since the advent of the railways.

Distances within Alberta itself are great. Numerous business organizations operate on a province-wide basis. This co-operative is one such; and our places of business are scattered across the province from east to west some 250 miles and some 840 miles from south to north.

FREIGHT AND GASOLINE

As has been previously stated, one of our major interests is the cooperative distribution of petroleum products. We would draw attention in this connection to the fact that until the discovery of pètroleum in the Leduc and other fields near Edmonton, and the subsequent setting up

of a second refinery by Imperial Oil at that point, the tank wagon price structure was based on the refinery at Calgary which meant that a farmer operating on the north side of the Peace River, say at Hines Creek, the extreme northwestern point of the railway, was paying 6.7 cents a gallon more for his fuel than farmers in the vicinity of Calgary, close to the refinery. This difference in operating costs of farm operation or the price of gasoline to the consumer, amounted to as much as 22.56 per cent when gasoline taxes are deducted. The tank wagon price structure for gasoline, though equalized now between Calgary and Edmonton still varies as much as 5.9 cents per gallon across the province, the percentage of freight to consumer price at Hines Creek being 19.93 per cent.

FREIGHT FACTOR IN OTHER COMMODITIES

Another instance of the importance of freight costs favorably affected to a considerably degree by other recent industrial developments in our province is to be found in the case of stock salt.

THE CHAIRMAN: What is the meaning of stock salt?

THE WITNESS: That is a salt which is sold for the use of cattle and sheep and so on.

We have selected 8 points ranging widely over the province to illustrate in this commodity, important to farmers and cattle men, the high factor which freight constitutes in cost. Until recent years, much of our salt came from Windsor. The rate from Windsor, Ontario, as the table below shows, varies from $1.09 per hundred lbs. at Provost about midway north on our Saskatchewan border to $1.43 at Grande Prairie in the Peace River area. The rate from

Vancouver for salt originating in California is set out for the same point. Salt is now produced in such quantities and of such quality, we may say, at Alberta deposits, as to make shipment from Ontario and California uneconomic. The consumer price of 80 cents for a 50 pound block of cattle salt at the 6 points cited, includes a freight factor ranging from 29 cents to 53 cents which is from 24.4 per cent to 32.5 per cent, the average percentage of cost at the 6 points, being 25.1 per cent from Lindbergh and 28.7 per cent from Waterways. Shall I read the table?

MR. FRAWLEY: No, I do not think it will be necessary.

MR. FRAWLEY: Q. Lindbergh and Waterways are the two salt producing points in the province?

A. Yes, that is correct.

Q. Before you leave the table, is there anything in it to which you would like to call attention?

A. No. We selected here six widely scattered points at which a 50-pound block of salt bears a freight charge varying from 18.1 per cent to 33.1 per cent, with an average factor of 25.1 per cent in the case of Lindbergh, and 28.7 per cent in the case of Waterways

Q. Lindbergh has the better rate because it is much closer than Waterways?

A That is correct.

Q. Yes. Will you proceed with your brief, please?

SALT
BASED ON 50 POUND COMMON BLOCKS
PERCENTAGE OF FREIGHT IN TOTAL COST TO CONSUMER

ination	Price per 50# block from Lindbergh & Waterways	Lindbergh rate per 100#	Percent of freight	Waterways rate per 100#	% of frt.	Windsor rate per 100#	Van. rate per 100#
acleod	80¢	46¢	28.7%	50¢	31.2%	$1.17	69¢
liance	80	29	18.1	39	24.4	1.20	79
rande Prairie	80	46	28.7	51	31.8	1.43	98
nville	80	29	18.1	39	24.4	1.12	79
rovost	80	39	24.4	44	27.5	1.09	79
lk River	80	52	32.5	53	33.1	1.17	71
		Average	25.1%		28.7%		

We select coal as another important illustration. This is important not only to rural but to large numbers of urban people, notwithstanding the enjoyment of our towns and cities of the use of natural gas and electrical power.

Below is a table showing the percentage of cost which freight bears to the consumer price at 7 points widely distributed, including several mining areas. In the case of coal as in the case of numerous other commodities, the price per ton is not the only factor in consumer choice. Quality varies greatly in Alberta and at times all coals mined within economic range of a given point are not equally available.

The rate per 100 lbs. from the 13 points of shipment to the 7 destinations selected ranges from 6½ cents per 100 to 21-3/4 cents per 100 lbs. The percentage of cost ranges from 12.6 per cent to 33 per cent and the average percentage of consumer cost attributable to freight is 23.9 per cent.

MR. FRAWLEY: Q. I do not think you need to read the table unless there is something in it to which you wish to call attention?

A. No. We have summarized, as I have read, the principal factors in the table.

Q. Very well. Kindly go on.

A

COAL
BASED ON LUMP COAL
PERCENTAGE OF FREIGHT IN TOTAL COST TO CONSUMER

estination	SHIPPING Point	Selling Price per ton	Freight per 100#	Percentage of freight
Grande Prairie	Foothills	$ 13.95	21-3/4	31.1%
	Clover Bar	11.40	17¼	30.2
	Carbondale	10.70	16-3/4	31.3
	Drumheller	13.15	21-3/4	33
Rimbey	Drunheller	11.25	12¼	21.7
Chauvin	Drumheller	11.65	14¼	24.4
	Clover bar	10.20	11¼	22
ueenstown	Lethbridge	10.80	8-3/4	16.2
ilk River	Lethbridge	10.35	6½	12.6
anyberries	Lethbridge	10.80	8-3/4	16.2
.ackfoot	Drumheller	11.65	14¼	24.5
	Heisler	9.20	12¼	26.6
	Clover Bar	10.20	11¼	22
			Average	23.9%

Binder twine is still an important commodity in the operations of many farmers. It is relatively light yet not bulky as compared to dollar value. We attend here a table showing the freight per 100 lbs. from Fort William to

nine selected points, also the selling price and the percentage factor of freight in cost. This ranges from 6.5 per cent at Vermilion on the East side of Alberta to 8.5 per cent at Grande Prairie.

Q. Does the brief indicate that you take Fort William as an originating point?

A. We come back to that at a later point in the brief.

Q. Yes?

A. The average of these nine points is 7 per cent; that is the percentage of freight in the cost; and we have added to it, as you will see, the charge from Brantford to the Head of the Lakes, bringing up the average to 8.65; and we return to that phase of the discussion later.

BINDER TWINE
PERCENTAGE OF FREIGHT IN TOTAL COST TO CONSUMER

	Selling Price	Freight per 100# ex Fort Wm.	Percentage of cost in price	Percentage from Brantford
Grande Prairie	$24.80	$2.11	8.5%	10.04
Edmonton	24.00	1.71	7.1	8.70
Vermilion	24.25	1.59	6.5	8.12
Provost	24.15	1.52	6.3	7.86
Eckville	24.50	1.82	7.4	8.97
Trochu	24.45	1.77	7.2	8.79
Calgary	24.40	1.71	7	8.56
Lethbridge	24.25	1.63	6.7	8.28
Milk River	24.35	1.71	7	8.58
		Average	7%	8.65%

These instances given, which might be multiplied many times to the point of tedium and weariness are adduced as previously stated to show that freight is a very important

factor in our farming operations and in the cost of living to the general consumer and that even within the province itself, it is a factor of cost by no means negligible.

NATIONAL POLICY

We think it desirable that attention should again be directed to the fact that political considerations are involved in the operation of our transport systems. Alberta is one of ten provinces and within its boundaries lies the peak of the two transcontinental railways freight structures as between east and west. As a nation, our historical development has been from east to west. Many western Canadians have speculated from time to time as to what the economic effects might have been if we had had unrestricted access to the markets of the United States. The keen interest of the Prairie provinces in the Reciprocity Pact negotiated by the government of Sir Wilfred Laurier in their verdict in its favor in the elction of 1911 will be remembered. We are proud of the century of goodwill between us and our neighbors to the south. We frequently hear reference to the almost indistinguishable nature of the barrier between the two nations. Socially and spiritually we are closely associated; but in those material things that mean so much in the lives of ordinary folks, there is a real barrier, a very real barrier. Human beings are essential traders; we want a variety of things, and to have them must go into the market to exchange our services and the products of our labor. It has been deemed to be in the national interests, however, that our trade should be with our fellow Canadians to the maximum possible; and we here in the west have been denied access to our natural markets, geographically

speaking. Western Canada conversely has been reserved as the big home market for the industries of the east.

HEAVY FREIGHT CHARGES

These political considerations have resulted in heavy tolls for transportation for our surplus production, and for those products of industry which we require tocarry on our agriculture and other economic enterprises. We draw attention to the fact that freight is a substantial factor in the cost of all goods brought into our province. We will take binder twine again as an example. We have already pointed out that freight charges from Fort William constitute from 6.3 per cent to 8.5 per cent of consumer costs at selected Alberta points. Fort William, however, is only selected as being the storage point from which distribution is made by rail throughout western Canada. To get the true picture of the freight factor in cost, in that case, we have to add the rail, lake and rail rate from Brantford to Fort William, which is quoted in tariff C.F.A. 5H, item 410R at 38 cents per cwt. This raises the factor of freight in cost to an average of 7.54 per cent and a range of 7.86 per cent to 10.04 per cent in the table previously given.

Much of the better class furniture sold in our stores in Alberta is manufactured in Ontario and Quebec. We find that in ordinary furniture the freight factor in cost is from 15 per cent up. In the case of leather goods or luggage, it ranges from 8 to 18 per cent. In a wide selection of drygoods, varying greatly as to relationship of weight and bulk to cost, the percentage ranges from 3 per cent to 15 per cent.

Farm machinery is a very important manufactured line to the people of Alberta. Practically all tillage and harvesting

implements, with the exception of the simpler types such as harrows, are made or assembled in eastern Canada. The importance of freight in cost in this line of goods is easily seen even with the special rate now in effect shown below.

FREIGHT ON AGRICULTURAL MACHINERY

Brantford to Winnipeg	$1.00 per 100 pounds
Brantford to Saskatoon	1.69 per 100 pounds
Brantford to Calgary	2.01 per 100 pounds
Brantford to Edmonton	1.98 per 100 pounds
Brantford to Lethbridge	1.97 per .100 pounds
Brantford to Red Deer	2.05 per 100 pounds
Brantford to Grande Prairie	2.40 per 100 pounds

MUST PAY FOR SERVICE

We recognize that the transportation of goods is a service for which a return must be received that will make that service profitable and ensure its continuance. We know that it costs more to carry goods two miles than it does one mile. We are aware that in any carrier service, distance is an important, perhaps the most important, factor. We submit, however, that here in western Canada the political considerations to which we have made reference, should greatly modify the influence of that factor. In other words, we would say that a population which has enlarged the boundaries of our national economy and contributed greatly to our national well being despite handicaps imposed by national policy, must not be required to pay for its transportation services on an arithmetical basis, multiplying a rate per mile by the number of miles carried.

OTHER CONSIDERATIONS NECESSARY

There is no thought in our minds that distance from markets should not be a factor in cost. It is foolish to talk of equalization in any absolute sense. Advocates of such a plan have surely never stopped to consider the revolutionary nature of their proposals. It is safe to say that even under communistic forms of social organization the fundamental principles of economic rent and land value in which distance plays so large a part are not and cannot be set aside. We are of the opinion, however, that in determining a freight rate structure for western Canada, other considerations than miles travelled should be kept in mind and that advantages enjoyed through the competition of water routes and better roads should not be confined to those areas immediately affected, but should be spread over the whole system of transportation.

Canada is a country of two areas of civilization separated by a relative economic desert. We suggest that in all service given to the people of western Canada by the transcontinental railway systems some formula should be introduced into the charges that has regard for the political considerations to which we have referred, subtracting a percentage of the operating costs entailed by unprofitable miles traversed between Sudbury, say, and the head of the lakes, and covering that deduction by subsidy from the national treasury as long as such subsidy can be shown to be necessary.

PORT CHURCHILL

Mention is made from time to time of the fact that we of the Prairie provinces have our own ocean port, Churchill.

There is a large body of opinion that the facilities of the Hudson Bay route are not used to the extent they might be. It is felt that the hazards and seasonal nature of the Northern ocean passage are not the only causes of the lack of use of our inland port; but that the business interest of . eastern ports including the railways that feed them and the shipping companies that use them, prevent us from enjoying the reduced freight rates which that route could make possible. We have not heard anything as yet concerning this phase of our transportation problem in the course of this enquiry - Mr. Chairman, that was true, but we have heard since - and we do not pretend to have any authoritative knowledge of the subject. We do suggest, however, that so far as lberta and the prairies generally are concerned, the possibilities of Fort Churchill should be fully canvassed and that the work of this Commission will not be complete without giving the subject the attention which it deserves.

In summary we would recognize the complete inadequacy of our representations herein. We have made only passing reference to our being denied by nature the advantages of water competition. We have not dealt with the question of the long and short haul which appears to discriminate in favor of west coast interests. Others have laid these matters before the Commission in able manner. We know from experience attending Commission inquiries that almost all important phases of the subject under consideration are covered again and again and we are aware that expert evidence far outweighs opinions and that such expert evidence is amply provided. We have therefore confined our submission chiefly to reaffirming the importance of freight charges as a factor in cost bearing

heavily here at the apex of the structure on our farm population and the Alberta consumer in general; and to the fact that for national considerations our people have been denied their natural market and had their business operations directed almost entirely east and west. We submit that for these reasons other factors than mileage have their place in determining a rate structure and that some effort should be made to remove Alberta's geographic disabilities in this respect and introduce a greater degree of equity.

MR. FRAWLEY: Thank you, Mr. Priestley. Will you just answer my friends.

THE CHAIRMAN: Are there any questions?

CROSS EXAMINATION BY MR. O'DONNELL

MR. O'DONNELL: Q. Mr. Priestley, notwithstanding what you may feel to be wrong with the freight rates structure in certain respects, can we not agree that through the years your goods have been moved, to and from the markets, and that today the province of Alberta and particularly the farmers of Alberta, is in a most prosperous condition, more so than it has been for many many years?

A. That is true. But one could qualify that, of course, by saying that the present drought might wipe away all those advantages in the next few weeks.

Q. Surely you are not as pessimistic as that all the time, are you?

A. No.

MR. FRAWLEY: And he is not a rain maker, either.

MR. O'DONNELL: Q. My learned friend makes reference to the Ontario drought?

A. I have heard of it.

Q. But prosperity today is higher than it has ever been; and would you not agree with me that through the years, until last year, on April 8th, that the freight rates in Canada were the lowest in the world, generally speaking?

A. I am not well enough informed to be able to say.

THE CHAIRMAN: Did you say in Canada as a whole?

MR. O'DONNELL: Yes, Mr. Chairman, in Canada generally speaking, the lowest in the world.

MR. O'DONNELL: Q. You are aware of the fact that there has been no increase in the freight rates for 27 years?

A. Yes, I have heard it stated.

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Q. And that in the interval from 1921 on there had been many reductions, and I refer especially to the live stock reduction in 1921; you heard of that one?

MR. FRAWLEY: Heard about it from you.

THE WITNESS: I would be willing to concede that there have been some reductions, yes. I am not aware of all of them.

MR. O'DONNELL: Q. And the grain rates in 1925 were reduced about 45 per cent. You have heard of that also, I take it?

A. Yes, I have heard of it.

Q. Now, I was just at a bit of a loss to understand what the relevance is, for instance, of making these various arithmetical computations that you made to show the percentage of freight in the various commodities that you set out there. Binder twine, for instance: at page 7 you say you have already pointed out the freight charges from Fort William constitute 6.3 to 8.5 per cent of consumer costs to selected Alberta points. Now, if binder twine is, for instance, sold at a low price by reason of being manufactured in the east, it may represent a certain percentage of the total cost of the article, but what is the relevance with respect to making the comparison between that and the freight rate?

A. The relevance is that we are just seeking to establish the central point that, standing here on the apex of the freight structure, our operating costs and our charges as consumers are very considerable because of freight; that is all.

Q. But the binder twine which is carried from the east, I take it from you, the work that the railway has to do in that connection is based on distance and on weight and all those matters?

A. Certainly.

Q. And if you are fortunate enough to buy binder twine at a very low figure, then the percentage of the freight rate may be lower or higher in comparison with other articles?

MR. FRAWLEY: Where does the good fortune come in?

MR. O'DONNELL: I am just wondering what the point is in making the computation.

MR. FRAWLEY: You say good fortune in buying binder twine cheaply. We pay plenty for it, I imagine.

THE WITNESS: I would say that if by any good fortune we could get a good binder twine factory established in Alberta we would be not so much interested in freight charges.

MR. O'DONNELL: Q. Oh, no doubt about that. Now, as to these rates, for instance, at page 8 you refer to freight on agricultural machinery, and you make reference to "even with the special low rate now in effect." That low rate is now so low, is it not, that shipments of agricultural machinery from Chicago, for instance, come into Western Canada more cheaply by being sent from Chicago to Windsor and then west than they would by coming direct from Chicago to the west?

A. That could be; I am not aware of the fact. I would point out, however, it does not say a special low rate; it says a special rate.

Q. A special rate; but a special rate is a low rate, is it not

A. Well, it is lower than it otherwise would be, yes.

Q. Does your Co-operative handle much agricultural machinery?

A. Just beginning to do, yes.

Q. Do you purchase any in the Chicago area?

A. No.

Q. Well, have you ever looked into ---

A. I have to make an exception to that, yes. We have purchased recently some coal-mining machinery from Chicago.

Q. And how did you bring it in, or how did it come in? Did it come in directly from Chicago here?

A. I think so.

Q. Or did it go the long way round, by Windsor?

A. .No, it came across the line in the West, I think.

Q. And did you compare the rate?

A. No.

Q. With what it would have cost to bring it the other way, through Windsor?

A. No, I did not.

Q. Now, at page 9 you say, about ten lines down, that the population should not be required to pay for its transportation services on an arithmetical basis, multiplying a rate per mile by the number of miles carried. Is that the fact?

A. That is our view.

Q. You have heard of the tapering principle?

A. Beg pardon?

Q. You have heard of the tapering principle?

A. Yes.

Q. Doesn't that statement ignore the tapering principle?

A. Well, to some extent.

THE CHAIRMAN: What is the question you put?

MR. O'DONNELL: I asked, my lord, if his statement at page 9 does not ignore the effect of the tapering principle.

THE WITNESS: Yes; I think one might have qualified that statement by saying notwithstanding ---

THE CHAIRMAN: Which statement have you in view?

MR. O'DONNELL: The bottom, my lord, of the first paragraph at the top of the page, the last few words.

THE CHAIRMAN: "In other words we would say . . ."?

MR. O'DONNELL: Yes; the end of that sentence:

". . . must not be required to pay for its transportation services on an arithmetical basis, multiplying a rate per mile by the number of miles carried."

THE CHAIRMAN: You pointed out that the tapering of the rates would cure what he is complaining about?

MR. O'DONNELL: Well, I asked if his bald statement does not ignore the tapering principle, and he admitted that it did.

THE CHAIRMAN: Which you say is effective?

MR. O'DONNELL: Yes.

Q. And you said, Mr. Priestly, that you might have qualified it to that extent?

A. Yes.

Q. Well, would you also qualify it to the extent that that statement likewise ignores these assumed mileages that we have had considerable talk about?

A. Yes; we are not attempting in that paragraph to cover the whole field of argument; we are merely citing a principle which might be used and has perhaps been used to too great an extent, and only modified on pressure.

Q. Now, does it not also ignore the arbitraries over Fort William east and the arbitraries over Montreal?

A. Yes.

Q. Which are low?

A. If you wish to make that pretext for a general attack on principle.

Q. I am not making a general attack on principle; I am just endeavouring to indicate that the statement as made in the brief is a little over-generous in certain respects, that is all. Now, a little further down on that page you say:

> "We are of the opinion however, that in determining a freight rate structure for Western Canada, other considerations than miles travelled should be kept in mind and that advantages enjoyed through the competition of water routes and better roads should not be confined to those areas immediately affected".

Is it your suggestion that the benefit of competition on water routes is confined to the areas immediately affected -- and I take it you mean by that Ontario and Quebec?

A. Well, I would say that the general development, the trend in respect of the setting of rates, has started

with that, and has been modified and is now being modified by such considerations aswe have here.

Q. Yes, but hasn't the West had for many, many years the benefit of that water competition or the competition of the water routes to which you refer in this sentence I have pointed to?

A. It has had some benefit, yes.

Q. So that the benefit of those water routes has not been confined to those areas immediately affected?

A. We have not said it was; we are saying it should not be, and that is a different thing.

Q. I see; and you agree with me that has not then been the case?

A. Well, we are just setting out here a general principle, in which we state that it should not be confined; we do not say that it has been confined.

Q. That is right; because if you had, I had merely intended to draw to your attention the remark of the Chief Commissioner in the 21% case, where, speaking of those rates, at page 62 of the Order, he said:

> "Lower rates in Eastern Canada are compelled by water competition, combination of water and motor truck competition, as well as rates established by the United States lines, particularly so far as export and import traffic is concerned. The water competition extends throughout Eastern Canada from its eastern coast to Fort William and Port Arthur. These compelled lower rates have resulted in benefit to Western Canada, for the reason that traffic moving between eastern and western Canadian points obtains

the benefit of such lower eastern rates for the portion of the haul within eastern territory, with the result that rates to and from points in Western Canada far removed from the water obtain the advantage of the compelled rates for the eastern portion of the haul."

You knew of that?

A. Well, I haven't read that particular part.

Q. Well, do you know of the accuracy of the statement?

A. I don't question it a moment. I am seeking the further application of it.

Q. Thank you very much.

MR. EVANS: I have just two or three questions.

CROSS-EXAMINED BY MR. EVANS

Q. With regard to page 3, where you are talking about the difficulty about gasoline and the difference in price in various parts of the province, having regard to distance from the refineries, was it not a fact, and is it still not a fact, that a very large part of the gasoline is trucked in this province, carried by truck?

A. An increasing proportion is probably being carried by trucks, yes.

Q. My recollection of it was that there was a very substantial amount trucked between Calgary and Edmonton two years ago, a very steady stream of gasoline trucks?

A. That is quite true.

Q. So that when you point to the cost of transporting gasoline you have regard, I suppose, to the trucking cost, have you?

A. We are not making any statement as to its being too great. There is no effort being made here to have the rate reduced. We are merely citing it as an instance of the cost to the consumer of transportation.

Q. That, of course, is local transportation within the province?

A. Yes, that is right.

Q. And that also is true of salt, is it?

A. That is true.

Q. Where you have your own production in the province; and you are not complaining of the rate as such?

A. No.

Q. You are merely pointing out an arithmetical fact

A. That is true; and, while we are not complaining of the rate as such, we are not saying that we are satisfied with it either. It is neither complaint nor expression of satisfaction; it is simply a statement of fact, that freight charges do constitute a very large factor in cost in Alberta.

Q. A sort of what lawyers call a without-prejudice statement?

A. Well, I am not so clever as all that.

Q. Then with regard to coal rates, you have no complaint about those, although you do have a big table showing the percentage of the cost of coal represented by the cost of transportation?

A. Well, while saying that we have no complaint, I want to say once again that I am not saying it is satisfactory.

Q. You are not claiming, for example, that there is

any large disparity in the rates between East and West on coal?

A. There is no question in that case at all; merely a statement of the distances that we have to traverse here in Alberta.

Q. I have one more group of questions and I am through. Where you say on page 7 that the West has been denied access to what you call "our natural markets", by that I suppose you mean the United States?

A. Yes, geographically speaking.

Q. And you think that your natural markets for your agricultural produce and the products of the farm would be to the south rather than to the east?

A. They have been on numerous occasions, yes; for instance in live stock, particularly in live stock.

Q. Yes, but how about the major element of the grain and so on?

A. Well, our chief buyer of grain, of course, is Great Britain, lying to the east of us.

Q. By and large, you could hardly call the United States a natural market for any grain grown in the western part of Canada

A. Well, we have marketed grain in the past in the United States to our advantage.

Q. I do not say you do not ever market it, but you could hardly say that you have been denied your natural market by being denied access to the United States.

A. Well, of course, we all know the factor that is most important in the matter of grain movement, and that is the surplus that is harvested in both countries, both

in the United States and in Canada

Q. That is what I had in mind actually. You could hardly say that you would naturally find a market for grain in the western United States?

A. Normally speaking, that would be true, yes.

Q. Now, have you anything else in mind in particular that has been denied you by the boundary between the United States and Canada?

A. Well, for long years, and still to a certain extent, our people here have suffered the disability of paying heavy freight charges on farm machinery and even tariffs on farm machinery, and have bought their cars and their trucks at considerable disadvantage because the point of origin had to be Windsor or Brantford, say.

Q. Now, you complain only of the freight rate north of the border in those movements -- isn't that so -- or do you also complain of the freight rate south of the border?

A. I am not complaining about either of them.

Q. What I had started out to ask you was, you had said you were denied access to your natural markets; now, that is export from Alberta; I was wondering whether, besides the matter of live stock to which you referred, there was anything else that was your natural market in the United States that was denied you?

A. Well, it would be a little difficult to say. I know that some of the organizations with which I have been connected have marketed from time to time. For instance, one of our Co-operatives marketed carloads of turkeys in Minneapolis, and I think that would be true for instance of baled hay at times.

Q. I suppose local conditions change?

A. Yes.

Q. But substantially the area to the south is producing much the same kind of commodities that Western Canada is producing?

A. Immediately to the south that is true, but there are large city markets within economic range of Alberta that we have not used because our Canadian business has been otherwise directed.

Q. Would you say they were your natural markets?

A. Well, there is St. Paul, Minneapolis and Milwaukee.

Q. Yes?

A. I say St. Paul, Minneapolis and Milwaukee, such urban centres.

Q. They are your natural markets for farm products?

A. For some they have been, yes.

Q. But there are farm areas around there, aren't there?

A. That is true, but all farm products do not grow equally well every year, and there are times when it is possible to market surplus products because farm production in an area adjacent to the large urban centre is not good.

EXAMINED BY MR. FRAWLEY

Q. Mr. Priestly, my friend Mr. Evans talked to you about the movement of gasoline by truck in this province. Do you know that the railways have very effectively met truck compeition in petroleum products here by the agreed charge; is that not so

A. Yes.

Q. The Imperial Oil is the leader in the market in Alberta, is it not?

A. In all Canada.

Q. Yes; and in Alberta as well as in the rest of Canada?

A. Yes.

Q. And you know now that in this province the Imperial Oil has an agreed charge from the refinery to the Calgary area?

A. Yes.

Q. And the McColl-Frontenac also?

A. I cannot speak for them.

Q. I put it to you that only the B.A. Oil Company has not an agreed charge of the major companies in this province?

A. They have adopted a different system of distribution from the others, relying chiefly on railway transportation rather than trucks.

Q. That is right. These people that have gone with the agreed charge?

A. Beg pardon?

Q. Those people who have got an agreed charge arrangement?

A. Yes.

Q. Have taken rail transportation?

A. That is right.

Q. To defeat the truck competition?

A. Well, I would say more particularly that the natural development was by rail in the first instance, overhead tanks were built at local points, and so long

as they were an effective means of storing gasoline the railways continued to move gasoline to them.

Q. But there was a time when the trucks did threaten the rail's business in the movement of petroleum products; is that not so?

A. That is true.

Q. And that was met, I put it to you, by the use of the agreed charge technique?

A. Quite so.

Q. Now, only one other question. On page 7 of your brief yo language is just a little bit ambiguous. You say:

"The keen interest of the prairie provinces in the Reciprocity Pact negotiated by the government of Sir Wilfrid Laurier and their verdict in its favour in the election of 1911 will be remembered."

You are calling attention to the fact that the prairie provinces voted in favour of the Reciprocity Pact, but of course the Pact was defeated?

A. That is true.

Q. And the defeat of the Pact tied us pretty effectively to Eastern Canada?

A. Exactly; that is why we make mention of it.

MR. COVERT: Just a few questions, Mr. Chairman.

EXAMINED BY MR. COVERT

Q. At the bottom of page 9, the last paragraph, you say:

"We suggest that in all service given to the people of Western Canada by the transcontinental railway systems some formula should be introduced

into the charges that has regard for the political considerations to which we have referred, subtracting a percentage of the operating costs entailed by unprofitable miles traversed between Sudbury, say, and the head of the lakes, and covering that deduction by subsidy from the national treasury so long as such subsidy can be shown to be necessary."

(Page 1864 follows)

Now, have you attempted to draw up any such formula at all?

A No.

Q You have not

A No.

Q I want to ask you a few questions on Port Churchill, a reference to which appears on page 10. You have not really made any study; you are just suggesting that the Commission should make a study?

A That is all.

Q Have you any opinion as to the possibilities of development of a port that is open only two or three months of the year?

THE CHAIRMAN: What is the last part of what you asked?

MR. COVERT: The development of a port that is open only two or three months of the year.

THE WITNESS: That is, have I some opinions as to how it can be improved, ice breaking through Hudson Bay, and so on?

MR. COVERT: Q. No, I do not mean that. What I mean is whether it is feasible, for example, for a port that can only operate two or three months of the year to be a paying proposition?

A Well I would not care to express an opinion on that subject. I would only say that someone thought so or they would not have built Port Churchill.

Q Have you considered the question at all from the shipping point of view, that to be a successful operation there must generally be both inbound and outbound traffic?

A That is true.

Q Do you think it is feasible that there could be inbound traffic at Port Churchill? Have you considered that at all?

A I will be frank and say that we have not given a great deal of consideration to Port Churchill. We are simply drawing attention to the fact that many people in the west do think it is of value to us, and freight has come in to Port Churchill.

MR. COVERT: That is all. Thank you very much.

MR. FRAWLEY: The next brief is entitled the Pure-Bred Livestock brief.

HARDY SALTER, Called

EXAMINED by MR. FRAWLEY:

Q Where do you live, Mr. Salter?

A Calgary.

Q You are presenting a brief on behalf of whom? Your brief may say so, but by way of introduction --

A The Canadian Aberdeen-Angus Association, the Canadian Hereford Association and the Canadian Percheron Association.

Q On behalf of those three animal breeding associations you have a submission to make to the Commission?

A Yes.

Q Will you please read your brief, Mr. Salter?

A This statement is presented on behalf of the following National Breed Associations' namely, The Canadian Aberdeen Angus Association; The Canadian Hereford Association and The Canadian Percheron Association by their

respective secretaries. Time did not permit consulting with other Canadian Breed Associations concerned of which there are about thirty. It can be stated however that they all concur in the statement presented herewith.

At the outset it should be pointed out that the favorable tariff that has existed over a long period was instigated by the Railways themselves for the purpose of stimulating the development of the country so that they would in turn derive transportation benefits from the products produced, and in our opinion the full development of the country is far from realization.

The half rate on purebred breeding stock and movements of same to exhibitions has been a big factor in the establishment of the present international prestige enjoyed by Canadians pure-bred and commercial livestock.

Freight tariff changes instituted as of June 1, 1949 will disrupt this long established improvement program and may easily result in an effective discontinued use of pure-bred sires with a corresponding reduction in the quality and volume of commercial stock which is so vital to international trade and the maintenance of soil fertility.

Q Mr. Salter I understand that this half rate on pure-bred breeding stock was what the railways call a fixed time for expiry tariff, or some such label as that?

A I believe that is correct.

Q Have you a view to present to the Commission with regard to this matter of allowing these expiry rates to expire?

A Well, very definitely so. We received a letter

in April just prior to the time that this would expire from Mr. Flynn just stating that it had expired, and giving us no chance in the world to combat what was coming about.

Q Mr. Flynn being the Manager of the Canadian Freight Association?

A Yes, I believe so.

Q Do you have a submission to make as to the kind of recommendation that this Commission might make regarding that matter?

A We would definitely appreciate it if the Commission would recommend that this type of tariff which goes from year to year should not be eliminated without the organizations interested being contacted before they are just thrown out.

THE CHAIRMAN: What is the relation between an expiry rate and the normal rate?

MR. FRAWLEY: A percentage relationship. The brief indicates, Mr. Chairman, that the rate which is to expire on the first of June was about half the normal rate.

MR. O'DONNELL: A 50 per cent rate.

THE CHAIRMAN: That is the one referred to in the next paragraph?

MR. FRAWLEY: Yes, the half rate, that is right. That was put in each year with an expiry date, and then this year they said, "we are not going to renew it. It will expire and not be renewed."

THE CHAIRMAN: It has expired.

MR. FRAWLEY: That is right.

THE CHAIRMAN: Pardon me a moment. Is it half

of the normal rate?

MR. FRAWLEY: Yes.

THE CHAIRMAN: Then there has been a doubling of the rate.

MR. FRAWLEY: It means for all practical purposes that the rate has been doubled. The normal rate goes back in force.

Q I have one other question. In your brief you say that it has existed over a long period. Roughly how long?

A I would think that has been in existence for thirty-five or forty years. It certainly was in existence when I returned from overseas after the first war, and that was 1918.

Q Long enough so that people like yourself came to regard it as the normal rate?

A It is the only thing we ever thought of.

Q You never thought of it as a depressed rate?

A We didn't know anything about it until a few weeks ago.

CROSS-EXAMINATION by MR. O'DONNELL:

Q When it was put in the livestock industry was not in nearly as healthy a condition as it is at the present time?

A I do not hardly agree because it was put in by the railways to help develop the country. It was not put in because of the prices being up or down.

Q Well, it was in when you came back from the first war, 1920?

A Certainly; I think it was in about 1910 myself.

Q I take it the Board had occasion to look at that in the general freight rates inquiry, and at page 315 of that judgment there are these words:

> "In 1920 and 1921 the livestock industry was in a very serious condition, yet the rates thereon were not considered by the Board to be unreasonable as railway rates, having in view cost of railway operation and general level of freight rates."

THE CHAIRMAN: Does that refer to the normal rate or the expiry rate?

MR. O'DONNELL: It refers to the normal rate.

THE CHAIRMAN: Which has not been paid.

MR. O'DONNELL: Which was not being paid, a just and reasonable rate.

THE CHAIRMAN: Are you sure they are not referring to the expiry rate?

MR. O'DONNELL: No, I do not think they are.

THE CHAIRMAN: When was this judgment?

MR. O'DONNELL: 1927.

THE WITNESS: I think you are wrong because our pedigrees are issued with three vouchers at the bottom, and I started in the pure-bred business in 1918, and those vouchers were then attached to our pedigrees, which gave us the half rate.

MR. O'DONNELL: Q. If it were not for the fact that you had been given that concession of a 50 per cent rate you would have been paying the full horse rate?

A Yes.

Q And the full horse rate was fixed by the Board.

A just and reasonable rate was fixed, and you have been enjoying the benefit of the 50 per cent reduction by the voluntary act of the railways during the years?

A Yes.

Q And the railways being hard pressed for revenue last year, and over the last three or four years, cancelled that rate, and now you have to pay the full rate. That is the position?

A That is the position.

Q All I am saying to you is that the livestock industry and the agricultural industry, everything raised on farms and farming, is in a much better condition now than it has been through all those years when you enjoyed the 50 per cent rate?

A I do not think it is much better than it was in 1918, certainly not for horses.

MR. EVANS: My information is that the rate complained of today was not an expiry rate. There is some confusion about that. It is probably the seed grain rate that you have in mind.

THE CHAIRMAN: It is what sort of rate? You say it is not an expiry rate?

MR. EVANS: It was not an expiry rate.

THE CHAIRMAN: What rate is it?

MR. EVANS: We just cancelled the existing tariff giving this very low rate to shippers of pure-bred breeding stock.

THE CHAIRMAN: Then you have doubled it?

MR. EVANS: All we did was we took off the special rate and restored the normal rate.

MR. O'DONNELL: It was just a concession, and they cancelled the concession.

THE CHAIRMAN: Is the word "expiry" not appropriate there?

MR. EVANS: No, sir.

THE CHAIRMAN: It was a concession you could withdraw at any time?

MR. EVANS: Quite. The kind of thing we are talking about when we mention an expiry tariff is a tariff that has on the face of it that it will expire at a fixed date mentioned in the tariff unless some other action is taken to renew it.

MR. FRAWLEY: Technically this apparently was not an expiry rate. It was something like the farm machinery rate.

MR. O'DONNELL: The seed grain rate we were talking about last week had an expiry date whereas this rate did not have an expiry date, but was voluntarily given by the railways, and they cancelled it.

THE CHAIRMAN: It did not have an expiry date but otherwise it was the same sort of concession.

COMMISSIONER ANGUS: This rate required express cancellation?

MR. FRAWLEY: And notice to be given of the cancellation. It is very much like the farm machinery rate which the Board saw fit to suspend, and which is now standing for further determination.

MR. O'DONNELL: It is one of those rates you would like us to increase.

MR. FRAWLEY: That is not the right statement to

make, and it is a very unfair statement. This matter was all dealt with and disposed of in the Regina hearing. I am sure my friend is making his remarks very jocularly.

THE CHAIRMAN: Was the statement not made that the railways should begin by making what use they could of their concessions?

MR. O'DONNELL: That is right.

THE CHAIRMAN: Was it not coupled with the suggestion that they do that first and then come back and ask for an increase?

MR. O'DONNELL: That is quite right. We were told to do that and then to ask for an increase on a lower percentage basis.

THE CHAIRMAN: Is that how you proceeded?

MR. EVANS: The answer to that is that is what they suggested we should have done.

THE CHAIRMAN: There is no use referring to one unless you can apply it to both phases of the case.

MR. EVANS: I think it is of absolute importance, with all respect.

THE CHAIRMAN: I know, but as I understand it what was said by the provinces and others who were opposing the application was, "go back first and raise your lower rates or preferential rates. Then if you find you still require something more come back and ask for it."

MR. O'DONNELL: "Or give credit for the amount by which you will benefit from having raised the lower rate", and that is what we did.

THE CHAIRMAN: Did you do that?

MR. O'DONNELL: That is what we did, and as soon as we could, because the Wartime Prices and Trade Board order froze all rates during the war. As soon as that expired, and our friends allowed us to proceed with that, we did so.

THE CHAIRMAN: Did you decrease the amount of increase you were asking for?

MR. O'DONNELL: The figures were put before the Board, and they were taken into consideration, in my respectful view, when the Board was making its computation of what the railways needed by way of additonal revenue.

THE CHAIRMAN: You had asked for a certain specific increase, had you not?

MR. O'DONNELL: Yes, 30 per cent in this instance.

THE CHAIRMAN: As a result of obeying the request of the provinces and increasing your depressed rates, did you decrease the amount you had been asking for?

MR. O'DONNELL: I don't know that it will go quite that way. The original application was for 30 per cent. During the course of those proceedings it was then that it was suggested that the railways did not need so large an increase if they raised their depressed rates.

THE CHAIRMAN: And you raised them?

MR. O'DONNELL: Ultimately, when the Wartime Prices and Trade Board order was removed, we raised those rates, and in so far as any adjustment was necessary the figures were put before theBoard, and the Board on the second application for 20 per cent more had all the information before it showing exactly how much was to be received from the increase in the depressed rates. That

is my memory of the situation. What they will ultimately do on the over-all picture, because the 21 per cent case is under review at the same time as the 20 per cent additional increase is being considered, I do not know, but the Board has all the information as to what the increase in depressed rates, such as competitive rates, will mean.

THE CHAIRMAN: What I mean is as a result of having made these increases in the preferential rates did you lower the amount of your application for an increase?

MR. O'DONNELL: We did not lower the application, but we put the information before the Board.

THE CHAIRMAN: Certainly you did, but I mean to say you did not lower your request to the Board?

MR. O'DONNELL: No, we still need so many dollars, but if we pick up some on these other rates then naturally we will not get as high a percentage increase, and the Board has the right to fix the percentage.

THE CHAIRMAN: Is there any argument that these figures,obtained as a result of the increase in the preferential rates, show that the railways should have lowered their demand for an increase?

MR. FRAWLEY: Mr. Chairman, the fact is they are only now --

THE CHAIRMAN: We are not hearing an appeal from the Board, but I am trying to get the attitude of the parties.

MR. FRAWLEY: It is only right that you should. The fact is that it is only as of June, 1949, that they are increasing this so-called depressed rate, and that indicates that the amount of revenue to come from this rate

was not before the Board at all, so the Board could not have had it in mind either in the 30 per cent case or in the 20 per cent case. That answers that.

THE CHAIRMAN: This is one rate which they did not increase while the application was pending.

MR. FRAWLEY: Precisely so, and I want to emphasize that point because constantly we are being accused that we, if you please, were responsible for increasing these rates. I maintain and still maintain that this was not a depressed rate. As Mr. Salter has just told us, it has been there since 1918. The kind of rate that the provinces were talking about to the Board was these give-away rates in Ontario. You will remember that in Regina I called your attention to the fact that they carried fruit from Hamilton to Montreal for 45 cents, and they carried the same fruit from Vernon, British Columbia, the same number of miles for $1.04. It was with that kind of rate in my mind that I put it to the Board that the railways should not ask for a flat horizontal increase. I argued that before they increased the normal rates, which are the backbone of Alberta, they should take out of the rate structure these give-away rates, these depressed rates, due to competitive conditions in Ontario which have disappeared.

I said, "Look what happens with these transcontinental rates where they carry canned goods across Canada for 96 cents on the basis of a so-called water compelled Panama Canal rate, when nothing has travelled through the Panama Canal since 1941." I said, "See that they take all these anomalies out of the freight structure and then see how much money they need." I discussed it very completely

and it is in the record.

I tried to calculate the amount of money that would come to the railways if they did away with those kinds of rates. I said there would be perhaps $10,000,000 or $12,000,000. I think those are the figures I used. Then I said, "Establish anything more permanent in the way of need." Then I said, "Next increase the distributing rates in Ontario to bring them to the level of the distributing rates in the west." Those are the town tariff rates in Ontario. Then I said, "Finally if there is nothing left to be done then, and only then, consider a flat percentage horizontal increase across the board." Then I said to the Board, "Put in a maximum to cover long hauls, put in a maximum even though you are increasing it percentagewise."

In a few words that is the effect of the submission I made, and which my friends have seen fit to -- I would almost like to say distort before this Commission. When they get out into Alberta they endeavour to put the submission of the province in a false light. We have taken a perfectly consistent position. We were attacking these give-away rates which are in the truck areas in eastern Canada.

Page 1894 follows

MR. O'DONNELL: The give-away rate in this particular case was 50 per cent.

MR. FRAWLEY: It has been there since 1918.

THE CHAIRMAN: That is not the point. You did not make use of it. You did not increase it until now, the first of June.

MR. FRAWLEY: That is right, Mr. Chairman.

THE CHAIR It had nothing to do with your application to the Board.

MR. O'DONNELL: It was a depressed rate, so far as we were concerned.

MR. EVANS: It was, for a period of years, when the Wartime Prices and Trade Board regulations were effective; none of those rates could be increased. We made a statement early in the first case that these rates, including the transcontinental rates, were under study, to see what could be done with them. Everybody knew that we had those rates under study. Every dollar of revenue we can get inures to the benefit of the shippers as a whole because, whether we are able to forecast to the last dollar or not, nevertheless in the last analysis, the level of rates will be fixed by the Board; and the Board can, at any time, just as they did in 1921 or 1922, say: You have now got more than you should have, and the level of rates must come down. So every dollar of increase we get all goes into the pot; and at the end, even though we do not estimate every dollar, it works out that they reflect themselves in the level of rates, as the Board finds them, from time to time. It must be.

THE CHAIRMAN: Yes. The point is much narrower than that. Mr. Frawley objects to being told that you increased

your rates now because he said: Why not go on. He said, in that respect, after the application you have made to the Board you cannot say it was effective on something you did on the first of June this year.

MR. O'DONNELL: I did not say that, no.

MR. EVANS: Mr. Frawley is extremely sensitive about this. But these increases in the so-called depressed rates either should be made or should not be made. My learned friend thought they should be made first; and if they should be made first, how can he be heard to say that they cannot be made last?

MR. FRAWLEY: My learned friend says this is a so-called depressed rate. He puts to this Commission that a rate, which was the foundation of the livestock industry in Alberta, was a depressed rate. I say that it was not. Anyway, we were talking about giveaway rates.

THE CHAIRMAN: What have you to say on this precise point: Here is a rate on which you say this industry was built up. It goes back to 1918. Now, it has been doubled, and the justification for it being doubled is: It was there; we might have done it at any time, but we are doing it now. You say you think that ought not to be allowed?

MR. FRAWLEY: Yes, Mr. Chairman.

THE CHAIRMAN: Then what procedure would you set up?

MR. FRAWLEY: I shall make my submission now: That there should be some control by the Board over an expiring rate, or a special concession rate which has been in the industry, in the structure for twenty or thirty years. We were told that the seed grain, the farm machinery, and the purebred rates have been in the structure for years.

Yet you say the Board should regard it as a normal rate in offering it with respect to cancellation.

THE CHAIRMAN: I can see where we have acquired material this afternoon..

COMMISSIONER ANGUS: Would you suggest that, as a matter of permanent policy, the initiation of rates of this type which are made to build up an industry should, be a matter for the commercial judgment of the railways, or should be initiated by some other procedure?

MR. FRAWLEY: I would say that if the rate was the kind of rate you mentioned, there should be a very close and definite control by a regulatory body.

THE CHAIRMAN: We shall be hearing argument about that later.

MR. FRAWLEY: Yes, Mr. Chairman. Thank you Mr. Salter.

THE CHAIRMAN: Mr. Covert?

MR. COVERT: Mr. Chairman, the last submission will be that of the Executive Secretary of the Western Stock Growers' Association, the Secretary-Treasurer, Western Section, National Council of Canadian Beef Producers.

MR. FRAWLEY: I call Mr. Coppock.

KENNETH COPPOCK, called

MR. FRAWLEY: Q. Mr. Coppock, as your brief indicates, you are the executive secretary of the Western Stock Growers' Association, and you are also the secretary-treasurer of the Western Section of the National Council of Canadian Beef Producers?

A. Yes.

Q. And you have prepared a brief for this Royal Commission?

A. Yes.

Q. Will you now kindly proceed to read it into the record?

A. MR. FRAWLEY: Mr. Chairman, as to this brief, you will recall that as to the last brief, Mr. Evans thought there was good reason to have it read in full. I think I am speaking for the witness when I say that he is not particularly anxious to read it and that he would be content if it were inscribed in the record without being read.

THE WITNESS: Yes.

MR. FRAWLEY: And then cross examination could proceed at once so far as the witness is concerned.

THE WITNESS: Yes.

THE CHAIRMAN: Is that satisfactory then?

MR. EVANS: Yes, sir.

THE CHAIRMAN: We are not then to have any summary?

MR. FRAWLEY: No, there was no summary prepared.

MR. FRAWLEY: Q. Will you kindly read your brief into the record, Mr. Coppock?

A. Mr. Chairman and gentlemen of the Commission: My name is Kenneth Coppock. I am executive secretary of the Western Stock Growers' Association and secretary-treasurer of the Western Section of the National Council of Canadian Beef Producers. The former organization, since its incorporation in 1896, has represented the cattle ranching industry in Alberta. The latter organization, since 1942, has represented the industry on national problems in British Columbia, Alberta and Saskatchewan, and by virtue of

representation from the Canadian Hereford Association, the Canadian Shorthorn Association and the Canadian Aberdeen-Angus Association has on such matters as disease control, markets, and taxation spoken for the producers of registered cattle of the beef breeds.

Our organizations are grateful to you for this opportunity to present their views on western Canada's beef cattle industry and transportation.

At the outset we believe it is important to stress some important aspects of the beef raising business.

1. Natural grazing areas and climate. Western Canada possesses some of the finest natural grazing areas on the continent. In the Cypress Hills area of southwestern Saskatchewan and Southeastern Alberta is found a large grazing area with adequate natural shelter, water and lush natural forage. In western Saskatchewan, in the light soil areas, may be found the highly nutritious short grass, long ago favored by the great herds of buffalo. This vast expanse extends into eastern and south central Alberta. It may be well to point out that in Saskatchewan under the policy of the Prairie Farm Rehabilitation Act over 70 community grazing pastures have been established embracing nearly 1½ million acres and maintaining nearly 70,000 head of livestock.

In Alberta is to be found the foothill area extending along the east slope of the Rocky Mountains southwards from Rocky Mountain House to the border. British Columbia claims the Kootenay, Kamloops, Douglas Lake, the Cariboo and the Chilcotin ranching areas. Because of the mountainous topography of that province, these areas are widely separated.

Climatic conditions in western Canada are such as to

permit cattle to be outside the year round. Periodically range land is visited with severe winters in which loss of livestock is heavy and with paralyzing drouth in the summers when water and grazing fail and operators are forced to liquidate deeply into their foundation herds. In such dry seasons cattle are forced to market with inferior finish, and light weights. Usually prices under these conditions are poor and the cost of feed purchases necessary for the maintenance of the remainder of the herd is high.

The point we endeavor to stress here is that western Canada has some of the finest natural grazing areas on the continent and a climate which is conducive to the development of fine quality cattle. Occasionally, however, the season fails and the industry suffers through enforced contraction of herds. The industry is constantly confronted with natural hazards over which no present control is available. In the future we hope irrigated feeding areas will be developed especially in Alberta. At present, however, the producer must pursue a policy of building up financial and feed reserves for hard winters, dry summers and reduced prices resulting from forced liquidation.

2. Surplus producing areas. Saskatchewan and Alberta are known as surplus producin areas with the ratio of cattle population to human population of approximately 180 cattle to 100 people. The national ratio is about 70 to 100. British Columbia on the other hand is a deficit area and approximately 50,000 head of Alberta cattle each year must be shipped to Vancouver to supplement British Columbia production. The remaining surplus in Alberta and Saskatchewan is shipped to the Pacific Coast states, the corn belt states

or to eastern packers and/or cattle feeders. Our exports from these two western provinces to the U.S. and eastern Canada in the last half of 1948 approximated 500,000 head of cattle. Exportsto date this year have been less than 100,000 head and unless the prevailing drouth continues and forces liquidation of herds, will be substantially less than a year ago.

The thought we wish to emphasize here is that Alberta and Saskatchewan are surplus producing provinces, and each year must ship their surplus of cattle long distances to export markets in the United States, to eastern Canada and even to British Columbia. Rail transportation costs are therefore of great importance to these two provinces.

3. Prices fluctuate widely. Market prices for live-stock are subject to wide fluctuation; sometimes caused by the demand conditions in both export and domestic markets and sometimes by supply conditions effected by favorable or unfavorable seasons. In Canada's beef cattle industry, nature has a greater hand than probably any other Canadian industry and nature, so far at least, is something over which beef producers have had no control.

4. Today's market high. Live cattle prices, since the removal of the embargo on cattle exports to the United States in August, 1948, have been at the highest level in the industry's history. For the week ended April 30, 1949, the average price of a 1,000 pound steer of good quality on the Calgary market was $20.42 per cwt. This compares with $17.41 per cwt. for the same period in 1948.

In 1934 the yearly average price at Calgary for good steers weighing up to 1050 pounds was approximately 3½ cents

per pound or $3.50 per cwt. The yearly average for 1936 was $5.04 per cwt.; for 1937, $6.23 per cwt.; for 1938, was $5.05 per cwt., and for 1939, $6.03 for cwt. There has been a rise of prices throughout the war period but several months prior to the lifting of the embargo on August, 1948, a steep rise in prices took place until today we are, in our judgment, at the pinnacle of the price cycle.

With such the case and with drouth conditions prevailing in not only the range areas of the west but in the grass areas of Ontario, there is strong support to the prediction that pressure downwards will be exerted on the price level. The export market in the United States must be looked to under these conditions to maintain the price level and even in that market well informed officials are fearful of a price decline induced by heavy marketings of beef cattle and hogs which will get underway this Fall.

The foregoing market history and present appraisal is given because we submit that it would be unsound and only inviting trouble if transportation rates were to be based on the present high level of cattle prices. It is our judgment that rates, as far as the cattle industry is concerned, should be based upon the long time average price level. This level as market figures disclose should be that which prevails when good steers weighing up to 1,000 pounds on the Calgary market are selling at less than one half the prevailing price.

5. Present freight rate. The freight rate on cattle shipped to eastern Canada from the Calgary area has for the past 20 years or more and until recently been $1.14½ per cwt. When the award of a 21 per cent rate increase was granted last

Fall, this rate was advanced to $1.39 per cwt. It might also be well to point out that the railroads have announced the cancellation of special rates as of May 31, 1949, on the movement of purebred stock for breeding purposes and on stock for fair or exhibition purposes as of December 31, 1949. Roughly these rates were one half regular livestock rates. Several associations which are members or our section of the Council of Canadian Beef Producers have already presented briefs to the Commission on this subject.

6. Our Basic Philosophy. Our stand has always been that every part of our industry should be operated profitably. The price to producers should be high enough to reward operators for their risks and their efforts. The profit margin on transportation should be large enough to enable the carriers to operate modern and safe equipment and give efficient service to shippers. The packers or processors of cattle should have a sufficient profit margin to improve their efficiency, extend their research and widen their markets.

Relative to transportation, we do not for one moment profess to know what the right freight rate should be. It should be high enough to properly reimburse the railways for their services in hauling the cattle, but should not be so high as on one hand to be detrimental to the long time interest of their shippers and on the other hand to invite the loss of the business to truck competition. There has already been a 21 per cent rate increase and without knowledge as to whether or not the railroads are hauling cattle at a loss, it would be our judgment that the present rates when related to the long time price level of the industry, and to the possibility of inviting truck competition, are high. To

raise rates further would, in our judgment, greatly undermine the long term position of the industry, and also drive cattle men even more to the truck with which to accommodate transportation needs.

As stated in the beginning, we are grateful to you for this opportunity to make known our organizations and to give our views on the beef cattle industry and transportation rates.

THE CHAIRMAN: Mr. Coppock is prepared to be examined.

MR. FRAWLEY: Yes, Mr. Chairman,

THE CHAIRMAN: Mr. Evans?

MR. EVANS: I do not desire to ask any questions.

THE CHAIRMAN: Mr. O'Donnell?

MR. O'DONNELL: I do not think that I do, either.

THE CHAIRMAN: Mr. Covert?

CROSS EXAMINATION BY MR. COVERT.

MR.COVERT: Q. Will you turn to page 2 of your brief, Mr. Coppock, where, in the sixth paragraph you say:

> "The foregoing market history and present appraisal is given because we submit that it would be unsound and only inviting trouble if transportation rates were to be based on the present high level of cattle prices."

Then you say:

> "It is our judgment that rates, as far as the cattle industry is concerned, should be based upon the long time average price level."

Could you give us, perhaps, a more definite idea of what you mean?

A. If you will only finish the paragraph, it says:

"This level as market figures disclose should be that which prevails when good steers weighing up to 1,000 pounds on the Calgary market are selling at less than one half the prevailing price."

Q. You mean "today", when you say prevailing price?

A. That is right.

Q. You use today's prices for fixing a rate some time in the future?

A. Not necessarily. The burden of this brief, the one point that it has to bring out is that we are in a period now of admittedly high prices.

Q Yes?

A. Our industry is subject to very wide fluctuations in earning power. We are subject to the elements. We are now in the midst of drouth. At the present time we do not know where we are going; and if the railroads were to come along now and base their rates upon the present high prevailing prices, we believe that that would be only inviting trouble; and that we should, because of the very nature of this industry, look at a long time price picture. And that is why that paragraph is pointed out there, and that is the reason why we make the suggestion that this level, as the market figures disclose, should be that which prevails when good steers, weighing up to 1,000 pounds on the Calgary market, should be selling at less than the prevailing price.

Page 1909 follows

THE CHAIRMAN: Q. "Selling at less than one-half the prevailing price" -- what is the prevailing price?

A. The first part of section 4, dealing with "Today's market high" -- I pointed out for the week ended April 30, 1949, the average price of a 1000 pound steer of good quality on the Calgary market was $20.42 per cwt.

Q. That is the price that is actually paid?

A. Yes, that is the prevailing market for a good steer. Of course, we market a lot of other cattle that cannot be in that classification. For example, good cows might be selling for $16 or $17 a hundred, but, taking this good steer as an index, we say here, this level as market figures disclose should be that which prevails when good steers weighing up to 1000 pounds are selling at less than one-half the prevailing price today.

MR. COVERT: Q. Then you would say that half of that is $10.21?

A. Less than half, I say.

Q. Then if the market price is less than $10.21 you say that there should be a reduction in the freight rate?

A. No.

Q. In later years?

A. No. I would point out as a part of this argument that in 1934 the average price for the year was 3½ cents per pound for the same steer. Just how much less than one-half the prevailing price, only

conditions will determine that.

Q. But just one minute. If you will just stick to this one paragraph, you say:

"It is our judgment that rates" --

I take it you mean freight rates there?

A. That is right.

Q. -- "as far as the cattle industry is concerned, should be based upon the longtime average price level.

A. That is right.

Q. Now, should the rate be based upon that longtime level?

A. That is right.

Q. And then you go on to say:

"This level as market figures disclose should be that which prevails when good steers weighing up to 1000 pounds on the Calgary market are selling at less than one-half the prevailing price."

A. That is right.

Q. You have fixed the prevailing price for us now at $20.42 per cwt.; right?

A. That was average as of that week.

THE CHAIRMAN: Well, should they consider a price of about $10:

A. Well, that depends, your lordship, on a number of conditions. I say here less than one-half; I do not know how much less. If we went through a period like the thirties again it might be considerable less, and there are a lot of ---

MR. COVERT: Q. That is what I am trying to get at. What you are saying is that the freight rate should be based on; now, by that do you mean that the freight rate should be a fluctuating freight rate?

A. No, I ---

Q. Then do you mean that it should never go below its present level or above its present level?

MR.FRAWLEY: He started to answer, Mr. Covert.

MR. COVERT: I am sorry.

THE WTTNESS: Your question has slipped my mind.

MR COVERT: Would you just read that back, please?

THE REPORTER: "That is what I am trying to get at. What you are saying is that the freight rate should be based on; now, by that do you mean that the freight rate should be a fluctuating freight rate?"

A. No, I do not believe that it would be practical to have a fluctuating freight rate. I do say this, however, that any rate that is determined should take into consideration the fact that these prices in our industry fluctuate, and probably over a long period of time the average of our prices would be less than half what they are today, and that to come along and to fasten on this industry a rate based upon prevailing high prices would be just as unjust as for us to insist upon the railroads basing a rate on a market level of $3\frac{1}{2}$ or 4 cents a pound.

Q. Thank you very much.

A. We believe that there is an average in there that we can strike, and in the last paragraph of the brief we

say here:

"There has already been a 21% rate increase and without knowledge as to whether or not the railroads are hauling cattle at a loss, it would be our judgment that the present rates when related to the longtime price level of the industry, and to the possibility of inviting truck competition, are high.."

Now, we haven't any facts or figures to tell us whether the railroads are hauling cattle at a loss. We hope they are not, because that is contrary to our basic philosophy in all these things. We want people in our industry who work for us to get some gain for their services, and we are sincere in our belief.

COMMISSIONER ANGUS: Q. We were told this morning that when the railways are granted a horizontal increase an industry that can demonstrate that such an increase is unsuitable for it can go to the Board of Transport Commissioners and ask that it should not be included in that increase. Does that procedure satisfy you, or do you think that there should be some other safeguard?

A. Well, frankly -- and I may be expressing my own opinion in this regard -- our relationship with the railroads has over a long period of time been very friendly. They have been kind of wrapped up in this industry with us, they have gone through hard times and good times, and, as Mr. O'Donnell, I believe, or Mr. Evans, has already pointed out, in 1921, when we were sorely beset because of a very bad winter, costly winter, and heavy stock losses and a very steep market decline, the rates

were actually lowered substantially, I believe forty to forty-five per sent, and, as a matter of fact, we count on a very cordial relationship with the railroads to work out these industry problems. That is our way of handling these matters, and if the railroads get a little tough, then we go straight to the Board of Transport Commissioners. We had to do that one one occasion when they insisted on hauling our stock by way of Winnipeg down through Emerson instead of taking the short cut across through North Portal to St.Paul. That was another story.

MR FRAWLEY: Q. That is straightened out now?

A. That is row straightened out, and I believe that we can haul stock that way.

MR FRAWLEY: Thank you, Mr. Coppock.

MR O'DONNELL: Might I just make it a matter of record, my lord: Mr. Coppock was here some years ago, and we discussed a considerable number of details relating to the situation which he has spoken of today. That will be found in volume 765, at page 10139 and following. I won!t take any other time.

Q. Mr. Cartwright was called to prcduce Exhibit 306, showing the record of your stock sales through the years

A. That is right. I believe, sir, at that time we also stated that if the railroads were granted a freight rate increase we would have no alternative but to ask for the ceiling to be removed, and we would start a movemett to regain our natural U.S. market, which we did, and which we have successfully accomplished.

Q. Thank you very much.

THE COMMISSIONER: Q. What is your natural

market that you refer to?

A. The United States, my lord.

THE COMMISSIONER: Well, that seems to be our day's work.

The Commission adjourned at
4.50 P.M. to resume at
Edmonton, June 16th, 1949.

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The following schedules are Appendix referred to on page 1468 of Transcript of Evidence, Volume 9, June 13th, 1949, and are in lieu of pages 1468 to 1480 inclusive. (Eric D. McGreer's evidence).

TABLE 1-A.

ANNUAL FREIGHT CHARGES TO THE ALBERTA CONSUMER.

ITEM	SOURCE	ALL RAIL C/L LCL	R. & W. C/L LCL	ANNUAL REPLACEMENT GROSS LBS.	FREIGHT CHARGE RAIL	FREIGHT CHARGE R. & W.	REMARKS
FOOD							
Shortening,	Toronto Hamilton	240	234	-	0.66	0.65	5th Class
	Edmonton	-	-	277	none	none	
Rolled Oats,	Saskatoon	31		49.2	0.15	-	Grain Commodity rate
	Edmonton	-	-	-	none	-	C.N.R. W. 183 D.
Rice	Vancouver (by ship from U.S)	119	-	10.4	-	0.12	C.N.R. W. 200 b (Item 825)
Corn Flakes,	Toronto & London	-	234	40.5	-	0.95	5th C.F.C. 19
Granulated Sugar	Vancouver S. Alberta,	119	-	275.6	3.28	-	C.N.R. W. 200 b (Sup. 113 It
Yellow Sugar	Vancouver	119	-	26.0	0.31	-	
Tea	Vancouver	175	-	11.1	0.19	-	C.N.R. W. 200 b. (Item 930)
Coffee	Vancouver	119	-	11.1	0.13	-	C.P.R. W. 160-C
Cocoa	Toronto	240	-	3.6	0.09	-	5th Class C.F.C.
Salt	Nipawa (Man) Waterways Lindberg	0.54 0.31 0.21	-	22.5	0.12 0.07 0.05	-	C.P.R. W. 170-E.
Beans	Ontario	-	139	10.4	0.14		8th Class C.F.C.
Onions	Okanagan Australia via Vancouver	65 68	- -	36.4	0.24 0.25		C.P.R. W. 22-A

ITEM	SOURCE	ALL RAIL C/L LCL	R. & W. C/L LCL	ANNUAL REPLACEMENT GROSS LBS.	FREIGHT CHARGE RAIL	FREIGHT CHARGE R. & W.	REMARKS
FOOD..Continued							
Potatoes	Ashcroft	65	-	624.0	4.06		C.P.R. W. 22-A
	Edmonton				none	-	
Canned Tomatoes	Ont. & Que.		225			1.58	58-b Supp. 1 & 5th Class from Ft. Wm.
	Okanagan	109(24,000)		70.2	0.77)		
		87(40,000)			0.61)		C.P.R. W. 170-E. Supp. 74
Canned Peas	Ontario		225			C.83	58-b Supp. 1 & 5th Class from Ft. Wm.
	Southern Alta.			41.2			
	Taber &	54			0.22	-	C.P. W.170-E
	Lethbridge,	48			0.20		
Canned Corn	Ontario		225	-	-	0.56	58-b Supp. 1 & 5th Class from Ft. Wm.
	Southern Alta			24.7			
	Taber &	54	-		0.14	-	
	Lethbridge	48			0.12		C.P. W-170-E.
Raisins	California	240	-	11.2	0.27		Wholesaler
	Aust. via Van.	133	-	11.6	0.15		C.F.A. 110-C Supp. 39
Currants,	Calif.	240	-	5.6	0.14		Wholesaler
	Aust. via Van.	133	-	5.8	0.08		C.F.A. 110-C. Supp. 39
Prunes,	California	240	-	5.6	0.14	-	Wholesaler
	Aust. via Va.	133	-	5.8	0.08		C.F.A. 110-C Supp.39
Strawberry Jam	Vancouver	119	-	47.7	0.57	-	C.N.R. W.200-B Supp 32-19[illegible]
Marmalade	Vancouver	119	-	35.8	0.43	-	" "
Canned Peaches 20 oz.	Ontario	-	225			0.18	C.F.A. 58-b Supp. 5th Cl[illegible] from Ft. Wm.
	Okanagan Valley	109 (24,000)	-	8.2	0.09)		
		87 (40,000)			0.07)		C.P.R. W. 170-E Supp 74
Corn Syrup	Ontario	-	225	11.8	-	0.27	58-b Supp 1 & 5th from Ft[illegible]

ITEM	SOURCE	ALL RAIL C/L	ALL RAIL LCL	R. & W. C/L	R. & W. LCL	ANNUAL REPLACEMENT GROSS LBS.	FREIGHT CHARGE RAIL	FREIGHT CHARGE R. & W.	REMARKS
FOOD...Continued									
Lemons (300 s)	Italy via N.Y. & Niagara F.	-					0.42		From wholesaler
	California					16.6			
Oranges (252 s)	Brazil via Mont.	-		-		-	3.13	-	From wholesaler
	California	-		-		166.2	3.25		" "
Bananas	New Orleans (via Win.)						1.05		From wholesaler
	Vancouver,	201				31.2	0.63		C.N.R. W.220 b (Item 360).
Cabbage	Mississippi	.65	-	-		26.0	0.57	-	Wholesale
	Okanagan,	-		-			0.17		C.P.R. W-22-A
	Local,						none		
Carrots,	Okanagan,	.65		-		36.4	0.24	-	C.P.R. W.22-A
	Local,	.65					none		
Turnips,	Local	-		-		-	-	-	
CLOTHING: Men's Wear									
Overcoat Top Coats	Montreal	-	5.48	-		2.1	0.12	-	1st.
Suits	Montreal & Tor		5.48	-			0.15	-	
	Sherbrooke,		5.63			2.7	0.15		1st.
Sweaters,	Winnipeg		2.58	-			0.01	-	
	Montreal		5.48			0.5	0.03		C.P.R. W.790.
Overalls	Toronto		5.48	-			0.06	-	1st Class.
	Winnipeg,		2.58	-		1.1	0.03		
Socks,	St. Hyacinth, Que (D)		5.63						
	Toronto		5.48	-					

ITEM	SOURCE	ALL RAIL C/L	ALL RAIL LCL	R. & W. C/L	R. & W. LCL	ANNUAL REPLACEMENT GROSS LBS.	FREIGHT CHARGE RAIL	FREIGHT CHARGE R. & W.	REMARKS
CLOTHING...continued									
Men's Wear									
Underwear, Athletic -	Montreal & Toronto		5.48	-		0.6	0.03		1st Class.
Balbriggan Comb.	Montreal & Toronto		5.48	-		0.4	0.03	-	1st Class.
Underwear, winter	Toronto, Galt		5.48	-		1.5	0.08	-	1st Class.
Pajamas,	Montreal & Tor.		5.48	-		0.9	0.05	-	1st Class.
Shirts, work	" "		5.48	-		0.5	0.03	-	1st Class.
Shirts broadcloth	" "		5.48	-		1.8	0.09	-	1st Class.
Trousers, work	Toronto		5.48	-		0.8	0.04	-	1st Class.
	Winnipeg		2.58	-		0.8	0.02	-	" "
Women's wear									
Top Coats,	Montreal & Tor.		5.48	-			0.08	-	" "
	Winnipeg		2.58	-		1.5	0.04	-	C.P.R. W.790
House Dress	Toronto & Mont.		5.48	-		1.1	0.06	-	1st Class.
Slips, rayon	" "		5.48	-		0.5	0.03	-	1st Class.
Hosiery, Silk	Drummondville (F)		5.63	-		0.9	0.05	-	1st Class.
" Nylon	Toronto	-	5.48	-			0.05	-	" "
Hosiery, woollen	Sherbrooke,	-	5.63	-		0.6	0.03	-	" "
	Paris	-	5.48	-		0.6	0.03	-	
Panties, rayon	Sherbrooke,	-	5.63	-		0.9	0.05	-	" "
	Montreal	-	5.48	-		0.9	0.05	-	" "
Panties, wool	Sherbrooke	-	5.63	-		0.2	0.01	-	" "
	Montreal	-	5.48	-					

ITEM	SOURCE	ALL RAIL C/L	ALL RAIL LCL	R. & W. C/L	R. & W. LCL	ANNUAL REPLACEMENT GROSS LBS.	FREIGHT CHARGES RAIL	FREIGHT CHARGES R. & W.	REMARKS
CLOTHING..continued									
Women's wear:									
Nightgown, cotton,	Sherbrooke	-	5.63	-		0.4	0.02	-	1st Class.
	Montreal	-	5.48	-			0.02	-	" "
Nightgown, rayon,	Sherbrooke	-	5.63	-		0.9	0.06	-	" "
	Montreal	-	5.48	-			0.05		
Piece Goods:									
Cotton dress print	Three Rivers (F)	2.92	-	-		1.5	0.04	-	4th Class.
	Montreal	2.82		-			0.04	-	
Wool,	Brantford,	-	5.48	-		-	0.01	-	1st Class.
Flannel,	England via Mont.		5.48	-		0.06	0.01	-	1st Class.
Celanese or rayon	Montreal & Brantford,		5.48	-		0.1	0.01	-	1st Class
Flannelette	Montreal,	-	5.48	-		0.6	0.03	-	" "
Footwear:							C/L LCL		
Men's work boots	Actonvale (F)	3.78	5.63				0.37 0.25		LCL - 1st Class.
	Montreal	3.67	5.48	-		6.5	0.36 0.24	-	CL - 3rd Class.
Men's Oxfords,	Montreal	-	5.48	-		1.6	0.09	-	LCL - 1st Class.
Men's Rubbers,	Actonvale	3.78	-	-		7.7	0.29	-	CL - 3rd Class.
Women's Shoes,	Toronto,	-	3.48	-		2.7	0.15	-	1st Class.
HOUSE FURNISHINGS:									
Dining Room Suite 9 pc.	Victoriaville	2.92		-		) 27.2	0.80	-	4th Class
	Hanover & Kitchener	2.82				)	0.77		
Bedroom Suite 4 or 5 pc.	Hanover & Kitchener	2.82		-		15.0	0.42	-	" "
Kitchen Table	Hanover & Kit.	2.82		-		.4	0.11	-	" "
	Calgary,	.54		-					

ITEM	SOURCE	ALL RAIL C/L	ALL RAIL LCL	R. & W. C/L	R. & W. LCL	ANNUAL REPLACEMENT GROSS LBS.	FREIGHT CHARGES RAIL	FREIGHT CHARGES R. & W.	REMARKS
HOUSE FURNISHINGS:									
Kitchen chairs	Beauharnois (E)	2.92		-		6.0	0.18	-	4th Class.
Studio Couch,	Toronto,	2.82		-		16.0	0.17	-	" "
	Calgary,	.54		-			0.03	-	C.P.R. W-790.
Bed Springs,	Winnipeg,	1.29		-		) 1.1	0.01	-	4th Class.
	Edmonton,	-		-		)	no freight	-	C.P.R. W-790.
Mattress,	Winnipeg,	1.29		-		13.0	0.17	-	4th Class.
	Edmonton,	-		-			no freight	-	C.P.R. W-790.
Chesterfield,	Toronto,	2.82		-		12.0	0.34	-	4th Class
	Calgary,	.54		-		12.0	0.07		
Floor Coverings:									
Axminster Rug 9 x 12	Montreal & Toronto	3.67		3.53		1.2	0.04	0.04	3rd Class.
Congoleum, 9 x 12	Montreal,	2.82		2.72		7.1	0.19	0.19	5th Class.
Linoleum,	Farnham (D)	2.92		2.82		) 7.8	0.23	0.22	
	Montreal	2.82		2.72		)	0.22	0.21	5th Class.
Furnishings:									
Sheets 81 x 100	Three Rivers (F)		5.63			3.2	0.18	-	1st Class.
Towels, Cotton, Terry 22 x 44	Eng. via Mont. Toronto,		5.48			1.4	0.08	-	1st Class.
Blankets, all wool 6-8#, 72x 90	Hamilton,		5.48			6.2	0.34	-	1st Class.
Table Oil Cloths	Quebec (G)		4.68			0.5	0.02	-	2nd Class.

ITEM	SOURCE	ALL RAIL C/L	ALL RAIL LCL	R. & W. C/L	R. & W. LCL	ANNUAL REPLACEMENT GROSS LBS.	FREIGHT CHARGE RAIL	FREIGHT CHARGE R. & W.	REMARKS
HOUSE FURNISHINGS:									
Hardware:									
Frying pan, iron	Toronto & Mont	2.40		-		0.4	0.01	-	5th Class
Saucepan, enamel 2½ - 3 qts.	Toronto & Mont.	2.40		-		0.6	0.02	-	5th Class.
Garbage cans, gal.	Toronto & Mont.	2.40		-		2.3	0.06	-	5th Class.
Kitchen Brass	Winnipeg	1.15		-		) 2.5	0.03	-	C.P.R. W-790 5th Cl
	Vancouver,	1.36		-		)	0.03	-	
Dishes & Glassware									
Set of dishes,	England via Mont.		4.55	-		4.5	0.20	-	2nd Class.
Glass Tumblers,	Montreal		4.55	-		) 1.2	0.05	-	C.P.R. W.170-E.
	Medicine Hat,		.78	-		)	-	-	2nd Class.
Cleaning Supplies:									
Laundry Soap,	Toronto	-		2.34		12.7	-	0.30	5th Class.
Soap Flakes,	Toronto,	-		2.34		40.0	-	0.94	5th Class.
Abrasive Clean.	Toronto,	-		2.34		9.4	-	0.22	5th Class.
Chloride of Lime	Vancouver,	-		1.36		2.3	-	0.03	C.P.R. W-200-b.
Washing Machine,	Toronto,	2.40				8.1	0.19	-	5th Class.
Radio,	Toronto,	3.67	8.22	-		13.5	C/L 0.50 LCL 1.11		LCL - 1½ CL - 3rd Class.
Refrig.	London	2.82		-		6.0	0.17	-	4th Class.

ITEM	SOURCE	ALL RAIL C/L	ALL RAIL LCL	R. & W. C/L	R. & W. LCL	ANNUAL REPLACEMENT GROSS LBS.	FREIGHT CHARGE RAIL	FREIGHT CHARGE R. & W.	REMARKS
MISCELLANEOUS:									
Medicines:									
Aspirin Tablets	Windsor,	-	5.48	-		0.05	-	-	1st Class.
Epsom Salts, 1 lb.	Montreal,	-	3.67	-		0.8	0.03	-	3rd Class.
Boracic Acid 2 oz.	Montreal,	-	3.67	-		0.04	-	-	3rd Class.
Tincture of Iodine 1 oz.	Montreal	-	5.48	-		0.1	-	-	1st Class.
Zinc Ointment 1 oz	Montreal	-	5.48	-		0.1	-	-	1st Class.
Cod Liver Oil	Montreal & Tor.	-	5.48	-		2.4	0.13	-	1st Class.
Personal Care:									
Talcum, tins,	Toronto,	-	5.48	-		0.7	0.04	-	1st Class.
Tooth Paste, tubes	Toronto & Mont.	-	5.48	-		3.6	0.19	-	1st Class.
Tooth Brush,	Toronto & Mont.	-	5.48	-		1.0	0.05	-	1st Class.
Shaving Cream,	Toronto,	-	5.48	-		0.8	0.05	-	1st Class.
Toilet Soap, bars,	Toronto,	-	3.67	-		14.8	-	0.54	3rd Class.
Vaseline jar,	Montreal,	-	4.55	-		0.4	-	0.02	2nd Class.
Razor Blades, pkts	Montreal,	-	10.96	-		0.5	-	0.05	D-1.
Cleaning Tissues,	Toronto,	2.82	-	-		3.0	-	0.08	4th Class.
Transportation:									
Gasoline							14.23	-	Spends $56.93 on [illegible] in yr. $\frac{1}{4}$ x 56.93 - 14.23
Depreciation,	Windsor,						5.40		(Spends $48.60 a [illegible]

ITEM	SOURCE	ALL RAIL C/L	ALL RAIL LCL	R. & W. C/L	R. & W. LCL	ANNUAL DEPRECIATION	FREIGHT CHARGE RAIL	FREIGHT CHARGE R. & W.	REMARKS.
MISCELLANEOUS..Continued									
Transportation:									
Tires,	Toronto	3.67		-		10.4	0.38		(Spends $8.33 a y tires - tire cos $18.45, thus buy of a tire - tire weight 23 lbs - 3rd class.

NOTE: These figures do not represent 100% of the total expenditure for each classification. They represent the percentage of the total in each case, as follows:

Food,	87	percent.
Clothing,	74	"
Homefurnishings,	46	"
Miscellaneous	73	"

To arrive at the figures in table 1-B each classification was inflated, for example, the totals from the above table for food were multiplied by $\frac{100}{87}$.

TABLE 1-B.

TOTAL ANNUAL FREIGHT CHARGES FOR A TYPICAL FAMILY LIVING IN ALBERTA.

ITEMS	MAXIMUM	MINIMUM
Food,	$ 24.08	$14.09
Clothing,	2.93	2.61
Home Furnishings,	14.37	11.48
Miscellaneous,	29.03	29.03
TOTAL,	$ 70.41	$57.21
PERCENTAGE OF TOTAL INCOME OF TYPICAL FAMILY (TOTAL INCOME $2,000.00)	3.52%	2.86%
TOTAL ANNUAL FREIGHT BILL FOR PROVINCE, (200,000 families)	$ 14,082,000	$11,442,000

TABLE . 2.

COMPARISON OF PRAIRIE STANDARD CLASS RATES WITH ONTARIO-QUEBEC CLASS RATES

	FIRST CLASS		FIFTH CLASS		TENTH CLASS	
Miles	Ontario-Quebec	Prairie	Ontario-Quebec	Prairie	Ontario-Quebec	Prairie
25	35	36	18	17	12	11
50	52	54	27	25	18	15
100	79	83	39	39	27	22
200	99	123	50	57	35	29
500	172	221	87	100	60	50
800	251	304	131	138	94	69

TABLE 3

COMPARISON OF PRAIRIE DISTRIBUTING CLASS RATES WITH ONTARIO- QUEBEC TOWN TARIFF CLASS RATES.

Miles	FIRST CLASS Ontario-Quebec	FIRST CLASS Prairie	FIFTH CLASS Ontario-Quebec	FIFTH CLASS Prairie	TENTH CLASS Ontario-Quebec	TENTH CLASS Prairie
50	49	47	24	24	15	13
100	66	73	33	35	22	18
200	85	108	42	47	29	25
500	126	188	64	86	44	42
800	158	258	79	115	52	58

TABLE 4.

COMPARISON OF DIFFERENCES BETWEEN STANDARD AND DISTRIBUTING (TOWN TARIFF) FIFTH CLASS RATES IN PRAIRIE AND IN ONTARIO-QUEBEC TERRITORIES.

	PRAIRIE		ONTARIO-QUEBEC	
Miles	Difference between Standard and Distributing Rates	Percentage Reduction	Difference between Standard and Town Tariff Rates	Percentage Reduction
50	1	4.0	3	11.1
100	4	10.2	6	15.4
200	10	17.6	8	16.0
500	14	14.0	23	25.5
800	23	16.6	52	39.6

TABLE 5.

COMPARISON OF STANDARD MILEAGE CLASS RATES PRAIRIE SCALE WITH FORT WILLIAM TERMINAL RATES SHOWING PERCENTAGE RELATIONSHIP TO FORT WILLIAM-WINNIPEG RATES

First Class Rates

Between Fort William and	Mileage	Prairie Scale	Per Cent. over Winnipeg Rate.	Terminal rates
Winnipeg,	419.2	1.96	-	1.55
Portage la Prairie	474.7	2.14	9%	1.74
Brandon,	552.2	2.43	24%	2.00
Regina	775.5	3.04	55%	2.65
Saskatoon	899.2	3.29	67%	2.98
Medicine Hat	1,074.9	3.69	88%	3.41
Lethbridge	1,176.2	3.96	102%	3.65
Calgary)	1,242.)	4.07	108%	3.80
Edmonton)	1,227.3)			
Grande Prairie	1,637.3	4.72	141%	4.61

Per Cent. over Winnipeg Rate	Spread Between Standard and Terminal Rates
-	.41
12%	.40
29%	.43
71%	.39
92%	.31
120%	.28
135%	.31
145%	.27
198%	.11

TABLE 5 continued.

FIFTH CLASS RATE

Between Fort William and	Mileage	Prairie Scale	Per Cent. over Winnipeg Rate
Winnipeg,	419.2	.90	-
Portage la Prairie,	474.7	.98	9%
Brandon,	552.2	1.09	21%
Regina,	775.5	1.38	53%
Saskatoon	899.2	1.49	66%
Medicine Hat	1074.9	1.67	86%
Lethbridge	1176.2	1.78	98%
Calgary	1242.	1.82	102%
Edmonton	1227.3		
Grande Prairie,	1637.3	214	137%

Terminal Rates	Per Cent over Winnipeg Rate	Spread Between Standard & Terminal Rates
.69	-	.23
.79	14%	.19
.91	32%	.18
1.19	72%	.19
1.34	94%	.15
1.52	120%	.15
1.63	136%	.15
1.71	148%	.11
2.11	205%	.03

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ROYAL COMMISSION
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ROYAL COMMISSION ON TRANSPORTATION

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ROYAL COMMISSION ON TRANSPORTATION

EDMONTON, ALBERTA
Thursday, June 16th, 1949

THE HONOURABLE W.F.A.TURGEON, K.C. LL.D.	Chairman
HAROLD ADAMS INNIS	Commissioner
HENRY FORBES ANGUS	Commissioner

- - - - -

G. R. Hunter, Secretary	P. L. Belcourt, Asst.Secretary.

- - - - -

ADDITIONAL APPEARANCES:

F. C. Cronkite, K.C.	Representing the Province of Saskatchewan.
S. Bruce Smith, K.C.	Representing Alberta Forest Products Association.
H. G. Nolan,	Representing Edmonton and Calgary Boards of Trade.

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MR. COVERT: Mr. Chairman, the first submission is one of the Province of Alberta a general statement by the Honourable E. C. Manning, Premier of Alberta.

HON. E. C. MANNING called

THE WITNESS: Mr. Chairman and Commissioners, I desire this morning to submit a general statement of Alberta's transportation problem.

First of all on behalf of the Government and the people of Alberta I desire to extend to you a very sincere welcome to our Province.

The Government and the people of Alberta have made repeated requests to the Dominion Government for a complete and thorough study of Canada's transportation problem. On April 26th of last year and again on July 20th I appeared before the Dominion Cabinet in company with six other Provincial Premiers to request the appointment of a Royal Commission to investigate thoroughly the existing freight rate structure and to recommend practical steps for the removal of those features which can be shown to be obselete or discriminatory and detrimental to the economy of various Provinces and to Canada as a whole. The Province of Alberta joined in this joint request because we have long been convinced that the present transportation rate structure is obsolete, discriminatory and unduly burdensome upon our economy. The permanent removal of these objectionable conditions demands a completely new approach to the whole matter of transportation pricing, and a re-appraisal of inter-regional economic relations.

A competent Royal Commission with wide terms of reference is the most appropriate body to consider issues of this magnitude, particularly when those issues involve matters exceeding the powers delegated to the Board of Transport Commissioners by existing legislation. In fact, a review of the form of administrative organization and the existing legislation under which it operates is one of the primary tasks of this Commission.

When the Dominion Government acted on the widespread demand for a Royal Commission we were indeed gratified to learn that it would be composed of such outstanding Canadians as yourselves. We say this, sincerely believing that before such eminently qualified men our case will receive the consideration it deserves. I am sure that in the hearings which have now begun the evidence presented will convince you of the need for some very fundamental changes in our present transportation arrangements. I am equally sure that the proposals and suggestions which will be made at these Alberta hearings, and later at sittings in Ottawa, will be of assistance to you in formulating your recommendations to the Governor General in Council.

The problem which faces the Canadian people today is the problem of maintaining the national economy at a high, stable level of productivity. As you travel through this Province and meet our farmers and business men you will be impressed by the relative prosperity that prevails. You will also be amazed, I am sure, at the large scale development of our natural resources currently taking place, notably of our petroleum resources.

We take great satisfaction in this growth and see in it a partial answer to the vexing problems of income instability. It would be wrong, however, to suppose that this is anything but a reasonable start toward a solution. Notwithstanding the diversification of our production, we are still primarily an agricultural Province. The vast bulk of our wealth still comes from the surface of our land and from the labour of our farm population. In 1948 the total value of our agricultural production was $545,000,000 contrasted with a total production from all other natural resources, including coal, petroleum, natural gas, lumber, fisheries and furs of $99,000,000.

The background of the transportation problem which confronts the people of Alberta can conveniently be considered under three major headings; geography, economics and national policy. I would like to take a few minutes to very generally indicate the significance of each of these factors.

Geographic Aspects

The geographic characteristics of our problem are well known. Alberta is a land-locked, non-competitive area specializing in agricultural and raw material production. Our freight hauls, and of necessity we rely almost wholly upon the railways, are long on both inbound and outbound traffic. Most of our produce is sold on a distant and highly competitive world market and most of our consumer goods must be obtained from sources hundreds of miles away. Farm machinery and other capital equipment must likewise be obtained from distant markets. Under these circumstances the people

of Alberta pay a substantial part of the transportation costs on both inbound and outbound freight. This means that distance is a controlling factor. We recognize that distance imposes a disability upon us, but I would like to emphasize, the cost of linking the East and West in this country cannot fairly be assessed on the distance basis alone. We do not propose a "postage stamp" concept nor similar proposals that seek to eliminate completely the distance factor. We do object, however, and we object strenuously to all existing arrangements which add to the disadvantage of distance, artificial disadvantages of whatever nature.

In addition to distance, two other geographic features must be noted. The first is the St. Lawrence-Great Lakes Waterway. This great inland water route has been, and is, of great consequence to Alberta. It does not benefit us, of course, to anything like the degree it does the Central Provinces, nor indeed to the extent it benefits Manitoba and Saskatchewan, owing to the fact that the bulk of Alberta grain moves via the Pacific Coast.

Looking to the development of the St. Lawrence Seaway as a national project, we are entitled to expect that benefits will accrue to Alberta. If Federal policy is limited to undertaking the construction, however, there is the danger that this national project will become in effect a regional one. In that event the immediate area it serves would be favoured because of the effect of increased competition on railway rates within that area. Under existing

circumstances this would mean that for the rest of Canada the burden of railway transport costs would be correspondingly increased.

The second geographic feature is the mountain area to the west of us. Although this region contains much natural wealth it is presently undeveloped and creates a barren non-commercial area covering thousands of square miles with little likelihood of ever supporting a dense population. In many ways, that as yet undeveloped area isolates us from coastal commerce and alters the pattern of Alberta business. The practical consequence of this is that while geographically we are much nearer the Pacific than the Atlantic we are still oriented eastward.

Economic Aspects

The economic aspects of our problem are in part geographical and in part man-made. In 1905 when Alberta was formed, the first transcontinental railway, the Canadian Pacific, had been operating for almost twenty years and more than eight million acres of selected Alberta farm land had been alienated to aid in financing construction. These land grants were given to the railways so that the cost of transportation extension would not appear as a tax burden upon the people of Canada (which meant Central and Eastern Canada at that time). It is apparent, therefore, that the basic features of the transportation system and policy already had been laid down prior to the establishment of the Province. Alberta was forced to pattern her development in conformity with those accomplished facts.

The earliest economic activity in Alberta centered about the fur trade. Pioneer agricultural development emphasizing livestock production succeeded this, to be followed with the coming of the railways by more intensive field crops production. Agriculture in Alberta today follows this early pattern.

The following figures of farm income emphasize the predominance of grain and livestock production in Alberta agriculture.

MR. FRAWLEY: I do not think you need read the whole table.

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Alberta Farm Income by Commodity Groups

Year	Income from Field Crops (Million Dollars)	Income from Livestock (Million Dollars)	Total Income (Million dollars
1906	6.6	6.0	16.4
1911	21.6	13.0	48.4
1916	90.2	40.6	155.6
1921	82.8	16.1	120.8
1926	202.1	37.4	263.7
1931	99.0	19.2	137.5
1936	103.6	22.1	147.6
1941	101.5	67.4	200.5
1946	182.8	77.5	312.0

Source: Alberta Department of Agriculture.

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THE WITNESS: Mr. Chairman, I think it is unnecessary to read the figures; they are self-explanatory. I might call attention to the fact that in the period of forty years from 1906 to 1946 the total value of income from field crops and livestock has increased from

$16,400,000 to $312,000,000.

In 1897 the Crows NNest Pass Agreement was concluded between the Government of Canada and the Canadian Pacific Railway. In return for a subsidy of $11,000 per mile on a railway line from Lethbridge through the Crows Nest Pass to Nelson, the Canadian Pacific Railway agreed to reduce certain of its tolls on agricultural produce and farm supplies and to apply those reduced tolls as maximum rates in the future. The wide fluctuation in farm prices and costs over the past fifty years have proved how vitally important these statutory rates have been to the Western wheat grower, and therefore to the whole Canadian economy. It is essential that this long-established and basic element in the Canadian economy should be preserved.

The relation between our coal mining industry and transportation has always been an intimate one. The railways have been not only the biggest customer of our mines but they have also by their freight charges defined the available market areas. We have virtually inexhaustible coal resources in Alberta, yet the industry has never been able to successfully develop more than an insignificant part of this potential. Transportation costs have been the limiting factor in this development as witness the existence of Federal subventions on the movement of Alberta coal to Ontario. The Government of Alberta submits that the Commission should study the effect of transportation costs on the markets for Alberta coal. In view of the continuing scarcity of United States dollars, every possibility of extending the market for Alberta coal into the Central Provinces

should be thoroughly canvassed.

Forestry and fisheries in Alberta have lately assumed a position of importance in our economy. We look to the future use of these resources on a much more extensive scale but the problem of the distance over which we must transport these commodities will have an important effect on their use.

National Policy Aspects

It will be generally agreed that historically the economic policy of the Government of Canada has included the following three important objectives:

(1) The settlement of the West and development of its vast resources for the good of Canada as a whole;

(2) The construction and use of all-Canadian transportation routes; and

(3) The protection and development of Canadian industries.

All of these have been essential steps in the building up of the country. Our economic order today is the result of these policies, whether pursued singly or in relation to one another. They have served as guiding lines for the course of national development.

I should like to outline briefly the part played by the Western Provinces in the achievement of the three objectives of national policy to which I have referred.

Those who have settled in this Province and in the other Western Provinces have played, of course, the foremost part in the first of these policies -- the

settlement of the West. Their success in the settlement and development of the West has made possible the accomplishment of the second -- the development and use of all-Canadian transportation routes. The early production of the West created the prosperity of the Canadian Pacific Railway, both in the outbound haul of wheat and the inbound haul of merchandise and manufactured articles. The part played by the West in attaining the third of these objectives -- the protection of industry -- was equally important although it has not been given the prominence it deserves. The industrialization of the central region of the country was enormously assisted by the existence of a large and growing tariff-protected market in the West. More fundamental than this w s the support provided by the annual exports of grain from Western Canada. Over a period of many years, dating at least from the time of the formation of the Provinces of Saskatchewan and Alberta, the revenue derived from the sale of grain abroad has been a strong support for the Canadian dollar, as will be noted in the following table.

Again, Mr. Chairman, I think it is unnecessary to read the figures.

Year	Exports of Wheat and Wheat Flour (Million Dollars)	Total Merchandise Exports (Million Dollars)	Percentage Wheat and Wheat Flour of Total Exports
1906*	39.9	235.5	17.0
1911*	59.4	274.3	21.7
1916*	208.7	741.6	28.0
1921*	377.5	1,189.2	31.6
1926	435.0	1,261.2	34.4
1931	138.0	587.7	23.6
1936	247.5	937.8	26.5
1941	206.7	1,621.0	12.7
1946	377.0	2,312.0	16.3

* Fiscal years ended March 31st.

Source: Dominion Bureau of Statistics.

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THE WITNESS: I might again call attention to the extremes: in 1906 the export of wheat and flour amounted to $39,900,000, and in 1946 the figure stood at $377,000,000.

When the revenue from other important exports of Western Canada, e.g. coarse grain, lumber, fish, livestock, is added to wheat, it is not an exaggeration to say that Western Canadian production financed a large share of both the construction of the railways and the industrialization of the East. Both these policies necessitated a heavy importation of goods and the role of exports was crucial in financing imports and sustaining the credit of Canada abroad. Moreover, the favourable credit position of the Dominion owed much to the high estimation in which foreign lenders held the prospects of the Canadian West.

While Western Canada has made solid contributions toward the building up of the Canadian nation as we know it today, it cannot be said that the benefits received have been

proportionate to the contribution made. One reason for this result is that too many national policies have been permitted to work themselves out without attention being paid to their regional effects.

For example, tariff policy, which is a direct intervention by the Dominion in economic affairs, has stimulated the growth of industry. The tariff has also encouraged the movement of traffic from East to West. This traffic is highly beneficial to the transcontinental railways and to Eastern industry. But it is equally true that another result of this policy was to make it more burdensome for Western Canada to buy in the American market.

The policy of establishing rates on the basis of local costs and conditions, many elements of which still survive in the rate structure, has served to compound existing advantages and disadvantages, whether they be purely geographic or result from national policies such as the tariff. It is our view that the only geographic "handicap which should be reflected in transportation policy is distance, which is a constant factor. When no such limit is placed on geographic handicaps the result inevitably is the penalizing of certain areas for what are really institutional, that is to say, man-made handicaps. To repeat, it is a case of national policies being permitted to apply without regard to their regional effects.

I should like to stress the importance we attach to distinguishing between geographic handicaps and these institutional handicaps. The latter are

numerous. A few examples will bring out their importance and the pervasive nature of their influence on our economic life. The tariff, the customs and currency regulations, all drastically altering the flow of traffic, are perhaps outstanding examples. The location of railway lines is a factor of a similar nature. Another such factor which cannot be overlooked is the corporate organization of business and industry and of the railways themselves. To an increasing extent this organization is on a national scale and results in regional policies quite distinct from those that would be followed by regionally-organized corporations.

This centralization of activity has given rise to a peculiar conception of national policy. Trade, industry and railway transport are concerned, quite naturally, with making the highest profit on their national operations as a whole. Regional policies are made subsidiary to the needs of the whole organization. In the case of public utilities of the extent and importance of the transcontinental railroads, we seriously challenge the wisdom of allowing such national policies to take their course unimpeded. It is clear that unless subject to some reasonable restraint such policies would reinforce the centralizing trend already present in our national economy. Transportation policy alone cannot alter this trend, but should at least be made to play a neutral part instead of being applied in such a fashion as to abet it.

Rates established on the basis of local unit costs and local traffic densities are good examples of

how transportation policy can increase the trend toward centralization. Certainly industrial growth has been centralized in Eastern Canada. If rates are kept lower because of such factors as local unit costs and local traffic densities, that alone will attract more traffic by creating more favourable conditions for the location of industries. In other words, a vicious circle is created. Conversely, in Western Canada unfavourable conditions are compounded. High freight rates discourage industry. Lack of industry results in lower local traffic densities and higher unit costs. And so another vicious circle is created. Transportation policy could and should be an effective instrument to prevent this compounding of favourable and unfavourable conditions.

The Commission will be concerned to discover the reasons for the regional dissatisfactions with transportation and freight rate policy which has persisted over a period of more than fifty years; particularly since these dissatisfactions have persisted in spite of the existence of a regulatory body created by Parliament for the express purpose of removing all legitimate reasons for dissatisfaction. We cannot state too emphatically that the basic issues before the Commission are regional in nature and cannot be disposed of by methods which might serve to settle the differences between individual competing shippers. Once the root causes of these regional disabilities are understood, the Commission will be in a position to prescribe practical remedies.

I have suggested two factors which have hindered the removal of long-standing regional grievances:

(1) Failure to appreciate the fact that the basic structure of the Canadian economy has been moulded by national policies; and

(2) Confusing the consequences of those policies with the results of freely functioning economic laws.

Where these factors have been overlooked in the discussion of transportation matters, the tendency has been to accept the status quo as the natural and inevitable state of affairs.

Indeed the Commission has already been invited to adopt this approach. The position already has been taken before the Commission that the freight rate structure of Canada is not the hodge-podge born of accident or expediency which it is said to be; that freight rates have been regulated for forty-six years by men of ability, and the suggestion is made that this Commission will not lightly disregard the decisions of the regulatory body.

The Province of Alberta is sincerely of the view that it would be most unfortunate if this Commission entered upon the consideration of Canada's transportation problems feeling in the slightest degree bounden to the body of precedent laid down for the regulation of transport rates. We take no second place in our opinion as to the ability and integrity of the men who in the past or at this time are discharging the duties imposed upon them by the Railway Act. Their work is

not to be dismissed in any off-hand fashion. But neither must it be permitted to bar in any way the acceptance of new viewpoints and solutions which can withstand criticism on their own merits. What is in issue is the broad policy concerning transportation which either has been laid down in the regulatory legislation or has grown up as a necessary concomitant of such legislation.

This Commission has been empowered by the Government of Canada to examine into the alleged geographic and economic disadvantages in the freight rate structure. It is of first importance that the Commission be free to conduct its examination and make its recommendations without being at all required to regard as of binding force either the existing legislation or the pronouncements of the regulatory body created by such legislation. On the contrary, it is our view that the Commission should embark upon its investigation looking to the reconstruction of the freight rate structure from a completely fresh viewpoint -- as if it were the fact that no regulatory legislation or tribunal existed.

Transportation policy should not necessarily accept conditions as they are, but should be designed to ensure an essential equality of conditions for economic enterprise in so far as man-made conditions are concerned. That proposition does not require the equalization of geographic conditions but it does involve the removal of differences that have arisen because of other than geographic conditions.

At subsequent hearings of the Commission the Government of Alberta will present its views and its submissions with regard to the general principles involved in the re-constitution of the freight rate structure on a new foundation free from regional discrimination. We will also make representations upon particular aspects of the problem which concern our Province in a special way. It has not been my purpose at this time to enter into any discussion of the details of our position but rather to make known to the Commission our general views on what an investigation of this scope and authority is in a position to accomplish.

In conclusion, may I assure the Commission that Alberta is wholly in agreement with the proposition that Canada must have a healthy and vigorous transportation system. Our views as to the manner in which this end is to be achieved may differ from the views of the railways. There need be, however, no insoluble conflict of interest. It is our hope that our submissions may prove of assistance to the Commission in arriving at mutually satisfactory solutions.

All of which, sir, is respectfully submitted.

(Page 1932 follows)

THE CHAIRMAN: Thank you, Mr. Premier.

MR. O'DONNELL: I have no questions, Mr. Chairman, other than to say that there are some ideas which have been expressed by Premier Manning with regard to which we may be in agreement. There are others with respect to which we may still be open-minded and have no fixed view either way, and there are some which we may wish to challenge as and when the particular representations, to which the Premier has referred, are being made at a later date.

THE CHAIRMAN: Mr. Covert?

MR. COVERT: At this point I should like to ask Mr. Frawley if they intend to file with the Commission figures showing grain shipments to the Pacific coast, the proportion that goes west and the proportion that goes east.

MR. FRAWLEY: I do not know whether those particular statistics are in mind at the moment, but we will certainly be very glad to prepare them and file them.

MR. COVERT: I think the Commission would like to have those because of the reference on page 3. I should also like to refer to a statement of Mr. Manning on page 6, and ask if it is the intention of the Alberta government to furnish to the Commission any information as to the effect of transportation costs on markets for Alberta coal.

MR. FRAWLEY: There have been some studies made, and indeed by the Board of Transport Commissioners, but any information that we have that is recent and up to date we will be very glad to furnish.

MR. EVANS: I should like to be on record as

asking that any information supplied to the Commission about grain shipments east and west, in answer to Mr. Covert's request, be supplied to me because the Commission may remember that Mr. McFall, to whom I addressed a question on the subject, was unable to say definitely, but his impression was that grain largely moved east. We now have the statement of the Premier of Alberta to the contrary. I would be quite interested to know how that --

THE CHAIRMAN: There is no objectionto that?

MR. COVERT: No. Mr. Chairman and members of the Commission, the next submission is also that of the Province of Alberta, and is to be made by Professor Stewart.

MR. FRAWLEY: I will call Professor Stewart.

ANDREW STEWART, Called

EXAMINED by MR. FRAWLEY:

Q. You live in Edmonton?

A Yes.

Q And you are the head of the Department of Political Economy at the University of Alberta?

A Yes.

Q You graduated where?

A The University of Manitoba.

Q And you took a Master's degree from that university?

A Correct.

Q You have also studied at what other universities?

A The University of Edinburgh.

Q And there you studied what particularly?

A I was studying towards the degree of

Doctor of Philosophy, and studying particularly in relation to the connections between agriculture and industry.

Q You have been Professor of Political Economy at the University of Alberta for how long?

A Since 1935 - I am sorry, I have been attached to the department since then, and have been professor for the last three years.

Q At my request, Professor Stewart, you were good enough to prepare a submission on Transportation and Resource Use in Alberta. You have that submission ready to submit. Will you please do so?

A Mr. Chairman and Commissioners:

This portion of the submission of the Province of Alberta deals generally with the relation between transportation facilities and resource use.

INTRODUCTORY

In the first part, we draw your attention to the fact that participation in the provision of transportation facilities has been the continuous policy of the Government of Canada; and we submit that, in substantial measure against the facts of geography, this and related policies have been responsible for the structure of the regional economies and the attainment of Canadian nationhood.

In the second part, while recognizing the immense achievements of historic policy, we point out two consequences detrimental to the economy of the Province of Alberta. The first, which is in part the result of general policy including transportation policy, is the dependent and vulnerable structure of industry within the Province. The second, which has to do directly with the freight rate

structure, is the relatively high level of rates applicable to lberta.

<u>In part three</u>, we consider, and illustrate, the intimate, two-way, relation between investment in transportation facilities and resource development. We submit that, mistakes and the national debt notwithstanding, public investment has been among the "bold and farsighted policies" which have contributed to the growth and prosperity of the nation; and that investment remains a factor capable of inducing expansion to the benefit of the carriers and of the country as a whole.

<u>Finally in part four</u>, we call attention to certain problems confronting the Dominion of Canada which, unless boldly met, may have detrimental consequences to the prairie region and the national transportation system, with serious repercussions on the whole economy. We submit that, an aggressive policy directed toward resource development is essential to meet the long-range problems of adjustment imposed upon us by a changing world. We express our confidence that the resources of this Province can make an important contribution to an expanding national economy, and to the revenues and returns of the freight carriers.

<u>PART I</u>

The use of resources in the Province of Alberta is the result of the historical development of the Dominion of Canada. The historical development of Canada has been significantly affected by associations, to the east with Great Britain and European countries, and to the south with the United States. Throughout the history of Canada transportation has been a principal instrument of public

policy.

1. Following the American Revolution, the eastern settlements which remained under the British Crown developed into prosperous colonies. Their territorial integrity was supported by British garrisons. Their prosperity was dependent on access to the sea, trade with Great Britain within a system of imperial preferences, and, after 1854, reciprocal trade relations with the United States.

As at the conclusion of the American Civil War, and prior to Confederation, the situation affecting the colonies was significantly changed. The colonies themselves had exchanged military protection for responsible government. The United States emerged from its internal struggle with increased solidarity and a growing sense of power. New commercial policies adopted by Great Britain had deprived the Colonies of their preferred trading position in the British market; and the United States had abrogated the Reciprocity Treaty. Frustrated by modifications in trade relations with Great Britain and the United States, limited by the completion of settlement of its agricultural lands, and defeated in two attempts at commercial expansion based on the production of the mid-continent, the Province of Canada saw in the development of the North-West an escape from threatened stagnation. The general situation was affected by technical developments in transportation.

2 "Before Confederation, the colonies had been faced with two broad alternatives. One was to be drawn into the economic orbit and probably also into the political system of the United States. This would

have led to integration, in each area according to its particular characteristics, with the common neighbour. The economic development of each region would have been determined by the relationships it managed to establish with the country to the south. On the eve of Confederation, it seemed that the price of such relationships would not be less than political assimilation. This consideration turned the Colonies to the alternative which was to ensure independence through a union of their own and to seek strength and prosperity by a national economic integration based on an expanding inter-regional trade. The pull of the south was strong. The establishment of an east-west integration would require bold and far-sighted policies of national development."

(Report of the Royal Commission on Dominion-Provincial Relations, Book 1, p. 48.)

3. In addition to the formation of a free trade area among, and the development of transportation connections between the five eastern provinces, the "bold and far-sighted policies" included, first, transportation connections with, and the inclusion of the Pacific Province; second, acquisition of the land of the Hudson's Bay Company and the opening up of the Northwest; and, third, eventually, the adoption of "The National Policy" of protection to Canadian industry.

4. The immediate means of western expansion was the projected Canadian Pacific Railway. The importance of this road as an instrument of public policy is attested by the choice of route, and by the extent of the public assistance

given to the Company undertaking construction.

(a) The east-west link was established entirely within Canadian territory, and its location within the prairie region was selected with a view to preventing effective competition from U.S. roads for long-haul traffic.

As Henry puts it: "Not only was an economic environment conducive to north and south traffic movements made to produce a flow of east and west traffic, but this movement was made to take place within the political confines of Canada instead of by more economical routes running through parts of the United States". (Railway Freight Rates in Canada by Henry, p. xii) The decision to build the line wholly in Canada was severely criticized, but construction was pushed ahead and the all-Canadian route was opened in 1885.

The original route across the prairies and through the mountains -- the route recommended by Sanford Fleming-- was to traverse the Yellowhead Pass. This location was abandoned for the southern route largely in order to check competition from American roads, and thus to develop traffic on the transcontinental line. As Henry further points out the reason for the subsidy to the Canadian Pacific, known as the Crown's Nest Agreement, was "to enable the Canadian Pacific to prevent the Great Northern Railway from invading Canadian territory". (Railway Freight Rates in Canada. p. 16)

Thus the design of the Canadian Pacific Railway was determined by political considerations.

(b) The construction of the Canadian Pacific Railway was induced by substantial public assistance. Begun as a public work it was later turned over to a private company.

At the same time, the government granted to the railway company:

(i) a direct cash subsidy of $25,000,000;

(ii) 25,000,000 acres of land (the area later surrendered was more than offset by lands acquired by amalgamation or association with other land grant companies);

(iii) title to the already completed section of track (completed or under construction at a cost of $35,000,000);

(iv) a prohibition of the construction of competing lines to the south (the monopoly clause was surrendered in 1888 in return for government guarantee of an issue of $15,000,000);

(v) sufficient land for the right-of-way and exemption of its property, including the granted land, from taxation for twenty years;

(vi) exemption from import duties on construction materials;

(vii) in 1884 and 1885, government loans to the extent of approximately $35,000,000.

"More than $98,000,000 of government subsidies and loans thus went into building of the road in addition to the land grant of 25,000,000 acres" (Martin: "Dominion Lands" Policy p. 275). We endorse Professor Martin's further statement: "The C.P.R. is the only one of the great transcontinentals which has never gone into the hands of a receiver; and its function.... will stand comparison with that of the government itself in the permanent development of the Canadian West." (p. 276.)

(c) Public assistance to transportation, to serve political and economic ends, was not initiated with the Canadian Pacific Railway. Prior to Confederation substantial government contributions had been made to the development of both water and rail facilities. Indeed it has been stated that "construction of a transcontinental railway as a condition on which British Columbia joined Confederation was expected to solve problems of debt in relation to existing transportation facilities in British Columbia and on the St. Lawrence." (Innis: "Unused Capacity", Political Economy in the Modern State, p. 210.)

Neither did public assistance to transportation end with the Canadian Pacific. Subsequently, by direct cash subsidy, loans, guarantee of securities, undertaking of railway construction as a public work, and finally by acquisition and operation of railroads, the Dominion Government contributed to the extension of transportation facilities and thus to the development of resources throughout the country.

Of the railroad expansion in the period 1901-1914, the Report of the Royal Commission on Dominion-Provincial Relations states:

> "The extent of these costly duplications over long stretches of unproductive country shows the optimism of Dominion railway policy and the grandiose schemes of the railway promoters which this policy supported. Whether or not this optimism was pardonable in the spacious days of 1900-1913, the burdens which it ultimately imposed on the Dominion Government must be regarded as the cost of promoting

the national purposes of development, national economic integration and political unity. It is true that many regional, provincial and local interests were served, but only incidentally, to the prosecution of larger purposes." (p.70.) And again: "The provision of national transportation facilities was but one aspect of Dominion Railway policy. To obtain the objectives of that costly policy it was necessary to secure a level of rates which would counteract the North-South pull of geography and of possible alternative routes and draw traffic over the East-West lines instead. Hence the Dominion played an important part in shaping the railway rate structure (by legislation and by rulings of the Railway Committee of Privy Council and later of the Board of Railway Commissioners). The nature and extent of its intervention were fixed by its determination to encourage inter-regional traffic and all-Canadian transportation." (p. 71)

Reviewing the continuous and pervasive influence of government in transportation Henry states: "Virtually the whole of the waterway system was developed at public expense, construction of the extensive railway network was accomplished with liberal aid from the Dominion and the Provinces, the highways were the result largely of provincial and municipal expenditures, and the transcontinental airway system is the undertaking of the Dominion although a number of feeder and mining lines are privately owned." (Railway Freight Rates in Canada, p. xix.)

5. The second instrument of public policy - the

first being transportation facility development - which contributed to the pattern of resource use in Alberta was the administration of the lands of the west for "the purposes of the Dominion"; but settlement policies were closely related to transportation policies.

The "purposes of the Dominion" were to secure the rapid settlement and development of the west as a vast agricultural hinterland and market area for the products of eastern industry. "Railways proved to be the most important means of settlement, and today the whole economic organization of the Prairie Provinces is, as it were, suspended from the railway network". (Mackintosh: Economic Problems of the Prairie Provinces. p. 33)

6 The third instrument of public policy significantly affecting the pattern of resource use in Alberta was the tariff designed in "The National Policy"; but the relation between tariff policy and transportation is an intimate one.

After 1873, depression, heavy developmental commitments, and failure to secure reciprocity with the United States led, in 1879, to the adoption of "The National Policy."

> "The protective system thus established during 1879-87 although modified and refined, and from time to time changed in its emphasis, has never since been basically altered. It was a drastic change in the conditions under which the economies of the British North American colonies had grown up, and subsequently was a major factor affecting the development and structure of the transcontinental economy

which Confederation had created. It became, in truth, a national policy". (Report of the Royal Commission on Dominion-Provincial Relations. p. 52)

The intimate relation, within the national policy, of transportation and the tariff may be indicated by the following:

"It becomes possible and essential that the burden of railroad finance be adjusted more closely to the relative ability of supporting areas. Assuming relative stability in the production of raw materials as a result of exhaustion of national resources the tariff must assume to an increasing extent the position of a toll, as Galt originally planned, and should approximate the deficit on transportation finance. Consequently the tariff and railway rates but particularly the former must be limited in more direct fashion to the problems of returns on investment, whether in terms of government ownership or private enterprise". (Innis: "Transportation and the Tariff", Political Economy in the Modern State p. 255)

7 In the foregoing we have endeavoured to establish that the characteristics of all parts of Canada, and in particular that part which lies within the Province of Alberta, have been designed and conditioned by certain instruments of public policy employed to create a nation out of diverse geographic regions; and that, among these instruments of policy, and indeed inseparable from the others, the creation of transportation facilities occupies a prominent place.

To those who are in any doubt that design as much, if not more than geography, has created the conditions

characterizing the economy of the Province of Alberta, we would recommend a thoughtful examination of any map of the North American continent; a study of a copyright map published in "The Location of Economic Activity", (Hoover), showing the location of railroad lines near the United States-Canadian border between Winnipeg, Manitoba, and Havre, Montana; and consideration of the following statistics.

(i) 75,000,000 persons in the United States are closer to Calgary than are the inhabitants of Montreal;

(ii) There are as many people living in the United States south and west of Alberta as there are in all Canada; and the distance from Calgary to the Mexican border is about four-fifths the distance to Montreal;

(iii) More than 50,000,000 persons in the United States are closer to Calgary than the 7,500,000 Canadians living east of Windsor, Ontario.

PART II

It is not our purpose to take issue with the broad lines of historic policy. As Canadians we are conscious of the immense achievement represented by the Dominion of Canada. Rather it is our object to emphasize that among the "bold and far-sighted policies of national development" conceived by the Fathers of Confederation and furthered by their successors, the use of transportation facilities to develop resources consistent with public policy has played a major role.

Nevertheless, at this point, we wish to bring to your attention certain consequences of national policy

detrimental to the economy of the Province of Alberta and, in our view, obstructing the development of resources within this Province.

The first broad consequence is that the Province of Alberta has been created "without an integrated, balanced economic structure"; the second is that, being insulated from factors affecting railroad rates in other parts of the Dominion, the region of which Alberta is a part is peculiarly vulnerable to the application of the monopolistic principle of "charging what the traffic will bear."

1. The structure of the economy of the Province of Alberta rests on an unstable base of primary, competitive industry dependent on distant markets. Within a general framework of competitive industry with complete divisibility and mobility of the agents of production, this condition would have no relatively unfavourable consequences. But this is not the kind of world in which we find ourselves. The structure of industries is significantly different, and the assumptions of competition do violence to the facts. In reality competitive industries are vulnerable industries; and regions dependent on competitive industries are vulnerable regions.

Page 1945 follows

We do not think it can be successfully argued that persons who choose to invest their capital, engage their enterprise, and occupy their effort in such regions must quietly accept all of the harsh consequences. In the first place, as we have endeavoured to establish, the primary producers of the prairie region occupy an essential place in the design of the national economy. Secondly, the constitution of Canada requires of the provincial government, or of the local governments created by the Province, the performance of certain functions which become particularly onerous under the conditions characteristic of this region.

The features of the economy of the Province of Alberta to which we desire to direct your attention have been described in detail on numerous occasions and in authoritative publications; and statistical evidence is readily available. Consequently we will limit ourselves to general description of the relevant features of our economy whichderive in large measure from the position of the province in the national economy.

(a) In the long-run, by which we mean under what might be considered as normal conditions, the per capita income of persons engaged in primary, competitive industry is relatively low. Allowing for a normal distribution of incomes around the average, this means a relatively large proportion of persons existing under sub-Canadian-standards. Moreover, it follows that governments experience more than ordinary difficulty in securing revenues for the performance of their legitimate constitutional functions; and government services tend, therefore, to fall below those of other regions with permanently higher levels of per capita income.

(b) Dependence on primary industries, activity in which is governed by natural factors, results in substantial seasonal irregularity in activity, employment and income. The opportunities for dove-tailing of enterprises and of shifting workers between industries are limited. Irregular income results in inefficient individual consumption, and irregular activity and employment imposes on the community at large the burden of idle resources.

(c) Primary industries are peculiarly subject to year-to-year irregularity; and instability generated in these industries has pronounced repercussions in the dependent urban communities. Individual incomes fluctuate widely; and local governments, as well as the Government in the Province, must endeavour to adapt themselves to conditions of extreme uncertainty, and to maintain essential services in years in which sources of revenue literally "dry up."

(d) Economies dependent on agriculture, and other primary competitive industries, are highly vulnerable to the consequences of irregularity in employment and income in urban industry. Prices of primary products fluctuate more widely than those of processed goods; and in periods of industrial depression, money income received by primary producers declines drastically. This characteristic instability again creates acute difficulties for governments, and presents problems of budgeting of unusual magnitude

(e) Dependence on distant, and external, markets creates its own problems, and structural changes in market areas frequently call for intolerable adjustments The price to the producer is normally only a fraction of the price paid by the ultimate consumer, and, with rigidity in the prices

charged for services between the producer and the consumer, changes in price initiated in the consumers' market are reflected in marked fluctuations in the price to the producer.

In this connection, it might not be inapprpriate to remind your Commission which is engaged in the study of current problems, of the painful experiences of prairie farm producers attributable, at least in part, to market dislocations arising out of World War I.

Failure to secure effective adjustment to these dislocations was a large factor in causing the severe and prolonged depressions of the thirties. Narrow specialization in a few export staples rendered the whole economy dependent on conditions in, and the commercial policies of, other countries. On no part of this country was the impact of the depression heavier than on the wheat economy of the prairie region. As a consequence of the interdependence of different regions of the national economy, the fall in export prices, "pushed Canada down the incline of depression." As a consequence of the interdependence of different parts of the structure of the national economy, "there were few activities which were more severely affected by the depression and the technical changes of the thirties than that of railway transportation", and "the drought in Western Canada and the slump in wheat prices struck at the heart of the Canadian railway structure." (These quotations are from Report of the Royal Commission on Dominion-Provincial Relations, p 160).

We are aware that the effects of the several conditions discussed above are not confined within the limits of the

Province of Alberta, or within the prairie region Instability in one part of the economy induces instability in other parts. But the immediate and more serious effects rest upon those resident within the Province, and on the governments that serve the people of the province.

We are also aware of measures taken by the Government of Canada to compensate for defects in the structure of resource use and of the economy of the prairie region However, we are of the opinion that, from the point of view of the Province, the carriers, and country as a whole, measures designed to create within the region of which we are a part a more "integrated, balanced economic structure" are to be preferred to mere palliatives.

2. The second disability, arising out of national policy, from which Alberta as a part of the Prairie Region suffers, is the effective isolation of the Region from factors affecting transportation rates.

The decision having been taken to create a country stretching from the Atlantic to the Pacific across the northern end of the continent, and with the adoption of "The National Policy", the Prairie Region was insulated from southern connections across a boundary drawn on astronomical lines, from the Pacific by mountain barriers, and from the east by the traffic wilderness of the Pre-Cambrian shield. The general effect has been to make it possible to sustain railroad rates at relatively high levels. Indeed, only where the national interest appeared most seriously affected, namely, in the case of grain rates, has significant relief from the condition of high rates been secured.

It has been necessary, and will probably always remain

necessary to move the large part of production of Alberta lands by rail, and to move in heavy goods from the east also by rail. For this type of traffic no effective competing form of transportation has appeared. There are no water routes across the prairies, constructed or capable of construction by public funds, which can provide competition to the railroads.

Initially, standard rates in the Prairie Region were set at relatively high levels. t the time it was possible to justify high rates in this region on grounds of limited traffic and revenues; it was possible to maintain high rates because of the absence of alternative means of transportation. The justification for high rates no longer exists. While there has been a trend toward equalization of rates, nevertheless, the fundamental disparities of the original structure have not been completely eliminated.

It is with such features of the problem that later Submissions by the province of Alberta will be mainly concerned. Our purpose here is to emphasize the detrimental effects of high railroad rates in general on the use of resources in Alberta. Heavy tolls on the movement of producers' goods increase production costs; high rates on marketable commodities reduce the earnings from production. The combined effect is generally to limit the profitability of production in this region and to check expansion in the use of resources.

PART III

It has been submitted that, among other instruments of national policy, the contribution of the Government of Canada to investment in transportation facilities has been a

substantial factor in determining the character of the various regions of Canada. Despite mistakes, which may be apparent in retrospect, and the relation between government participation in transportation facilities and the public debt notwithstanding, it is our view that this instrument of policy has contributed significantly toward establishing Canadian Nationhood, and toward creating the degree of prosperity which Canadians generally have enjoyed.

We agree with the following statement by Henry: "The greatest per capita investment has been made in British Columbia, although it is not accurate to draw the conclusion from this that British Columbia per se has benefited more than the other provinces from Dominion expenditures on transportation, for a large part of the facilities in all regions were constructed to benefit the nation as a whole. (End of quotation from Railway Freight Rates in Canada, p.25)

The distribution of benefits from investments in transportation facilities is affected by the existence of unused capacity in some segments of the economy, and by the generally stimulating effect of resource development made possible by an extension of facilities.

Our view on the intimate relation between investment in transportation facilities and resource use can be clarified by two illustrations drawn from the history and experience of the province of Alberta.

1. Irrigation Development

Within the semi-arid portions of Alberta there are now 12 major irrigation districts with a total area of more than 500,000 acres served by works in operation.

The Report of the St. Mary and Milk Rivers Water

Development Committee to the Minister of Mines and Resources, Ottawa, (1942), indicates that, in 1936, the number of persons per square mile in irrigated districts was nearly nine times as great as in the adjacent dry farming areas; and that the gross value of production per irrigable acre, 1940, was in excess of $24 per acre. The value of product of dry land in comparable areas and in the same year would not have been more than $6.00 per acre.

Apart from the effects of the developmental activities the operation of irrigated land results in a marked increase in production from the same area. Increased production means more movement of producers' and consumers' goods into the area, and an increased outflow of commodities to market. Both movements create additional traffic for the carriers.

The Canadian Pacific Railway has made a major contribution to irrigation development in the province. In this case a railroad company had engaged in investment in resource development in order to create traffic and to help solve its problem of unused capacity. It must be assumed that the company achieved its objective, and that the permanently increased revenues it has derived from its investment have, if not directly, at least indirectly, compensated for the capital diverted to this use.

More recently, and since the experience of the thirties, the Government of Canada has become engaged in the construction of irrigation works, and has announced its intention to proceed with an extensive program of irrigation development. It is significant that, in the specific case of the St. Mary and Milk River development now in progress, and in subsequent developments, the Government of Canada does

not propose to recover any part of its investment in major works from the water users. It must be assumed from this that the Government recognizes that substantial general benefits will accrue from this program of resource development.

Among obvious beneficiaries will be the railroads. To this extent, it is true, Dominion government policy may be said to provide an indirect subsidy to the railroads. However, in contrast to a direct cash subsidy, Dominion participation in traffic-creating resource development has the advantage that permanent benefits will also be experienced by other elements in the national economy

2. Northern Alberta Railway

Settlement and exploitation of the lands and other resources of the Peace River area would have been impossible without a railroad connection with the developed regions of Canada.

The history of the participation of the Province of Alberta in northern railroad development is recorded elsewhere. (I refer to Henry: Railway Freight Rates in Canada, pp.33-4).

Against the record of financial difficulties it is necessary to set the very substantial development which the Northern lines have made possible, and the gains not accounted for in the operating records accruing to other portions of the national transportation system and to other parts of the economy.

Today the population of the Peace River area is approximately 50,000; and the farm value of agricultural produce alone is in the neighborhood of $12,000,000 annually. The movement of goods in and out of this area is large.

These goods move east and west creating traffic and revenue for other parts of the national transportation system, and demand for the services of capital and labour in all portions of the country.

Operating data for the Northern Alberta Railway, 1942 and 1947, are as follows:

I might say that the selection of years was a random one, in the sense that these were the only two copies of "Steam Railways in Canada" I had available at the time. Shall I read these tables?

Q. They pretty well speak for themselves. Unless there is something to which you want to call attention.

A. The operating ratio in 1942 was 50.50 and in 1947, it was 82.13. The figures also show the amount of freight originating on the railroad and on other parts of the transportation system.

	1942	1947
Net Operating Revenues $	3,352,787	1,060,784
Operating ratio	50.50	82.13
Revenue freight-tons	913,855	1,244,954
Revenue Freight-ton-miles	277,115,163	333,279,186
Revenue freight (originated on this road) - tons	610,547	977,993
Revenue Freight (received from other roads) - tons	303,308	266,961

(Source: Steam Railways of Canada, D.B.S.)

In this case public funds were employed in the creation of transportation facilities which opened up new territories and made possible a substantial expansion in the use of resources, The financial problems associated with the operations of the road, and the fact that the facilities were

eventually acquired jointly by the two transcontinental systems, are either unimportant or highly significant to our argument. Overlooking entirely the past and present strategic significance of the Northern Alberta Railways-I might say that I do not think we should overlook the strategic significance of this road - it is still impossible to believe that, in the long run, the lines have not paid substantial dividends not only to the railroads by serving to reduce the problem of unused capacity, but also to all sections of the country by the trade and activity they have generated.

There is one further illustration, common to all parts of the country, of which we would remind you. Policies of national development have included encouragement to immigration, and both governments and railways have from time to time invested substantial amounts in promoting and assisting immigration. Here again, investment and resource development have been made to contribute to the solution of the problems of unused capacity, and the railroads have been major beneficiaries.

In a recent paper on "Transportation and Immigration" S.W. Fairweather, Vice-President, Research and Development, Canadian National Railways, estimates that, assuming the immigrant to be as productive as the average Canadian, the gross revenue (not including transportation on arrival to the point of destination) created for the railways is $72 per immigrant per year. I am quoting from Mr. Fairweather's paper. "The break-even-point -that is the point at which the immigrant would not become a burden on the railway industry - may be estimated at 60% of the average current productivity per capita." Mr. Fairweather also estimates the out-of-

pocket expenses are estimated at $47, and deducting a further $11 for interest and depreciation on additional capital "the net value of an immigrant to Canadian Railway Transportation is of the order of $14 per immigrant per year." This paper is published in "Population Growth and Immigration into Canada. McMaster University, p.2).

Since the war the Government of Canada has more than once expressed its intention to contribute to investment in resource development.

(i) In the 'White Paper' on "Employment and Income" presented to Parliament by the Minister of Reconstruction, April, 1945, is included, among "policies, which have vast constructive possibilities in this country, if boldly and prudently planned to meet Canadian problems:"

> "the implementation in co-operation with the Provinces of a new Dominion policy of expenditures on the development and conservation of natural resources. In view of the rapid wartime depletion of natural resources, provision for such expenditures is urgent. While some of these expenditures must be continuous, a substantial proportion of them may be varied according to employment and income levels. The resources of the farms, forest, mines, fisheries and rivers are basic to Canadian development and prudent expenditure on their conservation and development will be true investment expenditure, yielding valuable returns. The returns will be greatly enhanced if the development and conservation of resources of particular areas can be co-ordinated.
>
> Such expenditures would provide some measure of alternative income in the areas affected by declines in

export markets, and thus would fight most of our depressions at the point of first contact rather than after they have spread through the economy. There is in the field of conservation and development, an opportunity at appropriate times for genuine public investment which would induce more private investment and not supplant it."

End of quotation from "White Paper"

(ii) In the Plenary Session of the Dominion Provincial Conference on Reconstruction, August, 1945, the Dominion Government, through the Minister of Reconstruction, proposed.

a. Under the heading "Activities for which the Dominion is fully responsible or is prepared to consider assuming full responsibility by suitable arrangements with the provincial governments where necessary", a large number of activities designed to promote resource development, and

b. Under the heading "Activities for which the Provincial Governments are responsible and which the Dominion is prepared to consider assisting provided specific agreements can be reached," the following

"2. Assistance to provide new access roads to undeveloped mining and forest resources;

3. Assistance for the construction of transportation facilities of National importance;"

(iii) In introducing the so-called "austerity programme" in November, 1947, the government announced as a long time factor in meeting problems of trade unbalance, a programme of development of Canadian natural resources.

It must be concluded that the Government of Canada recognizes that investment in resource development has a

generally advantageous effect and distributes benefits widely throughout the country.

We do not suppose that government participation in transportation development will always prove to have been wisely conceived; and we recognize the depressing effects of burdensome public debt. Nevertheless we submit that, by and large, the contribution of government to transportation development has been among the "bold and far-sighted policies" consistent with the "purposes of the Dominion", and remains a potent instrument in stabilizing the national economy and in devising the expansion of resource use of which this country is still capable.

PART IV

1. Reference has been made above to the circumstances prevailing at, or prior to, Confederation. We submit that somewhat parallel conditions confront our economy today.

We are confronted, on the one hand, with the decline of Europe, causing deterioration in our trading relations with Great Britain and the countries of Europe. On the other hand, we have impressive evidence of the dominating wealth and position of the United States. We have seen the substantial completion of the era of extensive agricultural settlement and expansion in Canada. On the North American Continent technological developments are exerting a magnetic pull on the strategic axis.

It is not our purpose to attempt to explore all the probable effects of these circumstances. We do however respectfully submit that your enquiries under section 2(a) of the terms of reference will be incomplete, and your recommendations inadequate to meet the problems of the national transportation systems, unless consideration is given, first, to the implications of a changing world on existing

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transportation facilities, and second, to the role of transportation in an expanding Canadian economy within a changing world.

2. Reference has been made above to the ultimate consequences of the upheaval attributable to World War I. The adjustments within Canada necessitated by the dislocations brought about by World War II may well prove of the same order of magnitude. The Province of Alberta is acutely aware of the grave danger of a permanent decline in the demand for our export products in overseas countries; and of the consequences of such a decline on the economy of the Province and on the national transportation systems.

Page 1960 follows

3. In a world dislocated by the upheaval of war and bent by the advance of technics some necessary changes will involve painful adjustments. But a period of change also provides compensating opportunities for expansion and development. In the expansion of which we believe Candda is capable, the Province of Alberta is in a position to make a substantial contribution; but the extent of its contribution is dependent on transfer facilities and arrangements.

While our agricultural land has been exploited and deteriorated under the historic national policies, the Province of Alberta has, in its energy and raw material resources of coal, petroleum and natural gas, an enormous potential which has hardly yet been scratched. We submit that with the adoption of "bold and far-sighted policies of national development" these resources can be made to contribute beneficially to the transportation agencies and to the country as a whole.

Our position on this matter can be clarified by reference, for purposes of illustration, to one of Alberta's resources, namely, natural gas.

4. Natural gas was first developed commercially in Alberta in 1908; natural gasoline was discovered in Turner Valley in 1924, and crude petroleum in 1936. Despite these discoveries, and geological evidence suggesting the occurrence of gas and oil under a large portion of the Province, exploration was relatively slow. This can, in part we believe, be attributed to the position of the Province deriving from historic national policies. Increased activity and systematic

search awaited conditions of impending scarcity in the United States, and the investment of U.S. capital in exploration. With the marked success of these efforts in 1947, other parts of Canada experiencing serious fuel and power shortages, began to display interest in Alberta's potential.

Provided the recent success in exploration is maintained, it is reasonable to expect that, in due course, Alberta natural gas will contribute directly to the expansion of interregional and international commerce. However, the extent of the permanent beneficial effects will depend upon the increased production generated by investment, and, to no small extent, on the location of this production. The interests of the carriers, of the Province, and we believe of Canada would best be served if raw material production in Alberta were associated with local industrial expansion.

Natural gas is the raw material for important petro-chemical industries, the possibilities of which are illustrated by the operations of the Alberta Nitrogen Company. I might point out, the product of the Alberta Nitrogen Company is not in fact petro-chemical, but the chief natural gas was certainly one of the factors in contributing to the establishment of that plant during the war and to its successful operations. In the past limited use of Alberta natural gas for industrial purposes has been the result of three factors: first, limited and uncertain supplies; second, the state of technical knowledge; and third, the narrow market.

The first of these factors appears to be well on the way to elimination. Adequate reserves will

assure to industry the return of the investment required for efficient production. During the war important technical developments occurred which make possible the production of a wide range of organic chemicals.

The third factor is, we believe, capable of elimination by appropriate national policies.

We cannot continue to look for expansion in our traditional overseas markets; but, to prevent serious internal adjustments, national policy must be designed to preserve as far as possible the volume of our exports to these markets. The appropriate Canadian policy lies in the direction of providing more favourable conditions of entry to imports from the countries involved.

Mitigation of the problems of adjustment and provision for expansion may be sought within the Western Hemisphere both by internal growth and by closer North American integration. Internal growth and increased trade with the United States depend upon expansion in the use of our natural resources.

Expansion of exports to the United States will require modifications in American tariff regulations and administration. Despite the precarious situation in which we find ourselves, our bargaining position is in some respects stronger than it has been heretofore. In the first place, in order to maintain its high levels of production and consumption, the United States has been depleting some of its natural resources. Second, there appears to be within the United States a growing

realization that whatever its historic position may have been, the interests of that Country now lie in the direction of free trade.

Within a framework of policies appropriate to resource development, expansion of production and trade can occur to the benefit of all parts of the national economy, including the railroads.

5. Throughout this submission we have had to call attention to the integration and interdependence of different elements in the national economy. As a consequence of this interdependence the problems of Alberta are those of the railroads; the problems of the railroads become those of the Province; and the problems of both are inseparable from the national welfare. In the short-run, interests appear to conflict; and there is conflict if deep-seated problems are met by short-run solutions. In the long-run there is substantial identify of interest; and long-run solutions are therefore to be sought.

Despite changes, the railroads will continue to occupy a basic place in the transportation system. We do not believe that the solution to the problems of the railroads lies in high or higher rates; and we cannot believe that high transportation costs will serve the general welfare of this trading nation. Rather we believe that the solution consistent with the interests of the railways and of the country, lies in increased production and exchange of commodities. To this end, we suggest, the development of the resources of the Province of Alberta can be made to play a conspicuous part.

MR. FRAWLEY: Q. That concludes your submission, Professor Stewart?

A. Yes.

Q. You have nothing to add to it?

A. No.

CROSS-EXAMINED BY MR. EVANS

Q. Professor Stewart, we are old friends.

A. Yes, sir.

Q. But I think our subject is in a slightly different costume this time

A. That is also correct.

Q. Would it be a fair summation of your presentation to suggest that in some form you advocate a transportation subsidy for Alberta?

A. No, I am not advocating subsidies at all, Mr. Evans, although I certainly would not take the position that subsidies should not be considered. I am pointing out, however, that if subsidies are considered they should be made in a particular way, that is, to contribute to the development of resources.

Q. How would you suggest that they be made, when you say in a particular way?

A. Well, I have illustrated certain cases where investment expenditure has contributed to providing increased traffic to the railroads, and I am suggesting that that is the most desirable form of assistance, because ---

MR. FRAWLEY: Might I suggest that you turn just slightly, Professor Stewart, so that you face the Commissioners a little bit more?

A. I have illustrated certain situations in which investment expenditure on resource development has contributed to increased traffic for the railroads and increased earnings, and I am suggesting that, if assistance should be given to the railroads, that form of assistance is to be preferred to direct cash subsidies.

THE CHAIRMAN: Q. Should be preferred?

A. Should be preferred, yes.

MR. EVANS: Q. That is, direct cash subsidies to industry?

A. No, to the railroads.

Q. Well, I just want to know what you really want. You suggest direct cash subsidies to the railroads, do you

A. I am not asking that direct subsidies or indirect subsidies be given, Mr. Evans. I am not making that suggestion to the Commission as a recommendation. I am merely pointing out that in the past we have contributed to the traffic of the railroads by resource development -- that is in a sense in the nature of an indirect subsidy or assistance -- and that if conditions seem to require assistance to the railroads, that is the form in which it might best be given.

Q. Well, if that is not your specific suggestion, what would you call the summation of your ---

A. I think the substance of it is in fact on the last page -- a useful place to have it:

> "We believe that the solution consistent with the interests of the railways and of the country, lies in increased production and exchange of commodities,"

and to this end we suggest the development of the

resources of Alberta, and obviously of other provinces and regions.

. I suppose that that involves this, that your idea of the solution of the railway problem is increased traffic

A. Correct, yes.

Q. And by that I suppose you have in mind that the railways today, with their present installations and equipment, have substantial unused capacity?

A. Yes, I think all railroads -- at least, it is a general feature of all railroads, that they have unused capacity in their permanent way.

Q. Is that your view as to the fact today

A. Yes, I think the overhead in the railroads is so large that it can be said that there is unused capacity.

Q. Then you feel that the facilities that the railways today have in Canada have, without large capital expenditures -- that is to say, further large capital expenditures -- a very extensive unused capacity?

A. Yes, but I think we can get together on this by distinguishing between certain types of equipment. It seems to me in their right-of-way and in their roadbed they have a large unused capacity. It may be that in terms of cars and locomotives they need more, but nevertheless in one sense, in my sense of the term, they have unused capacity.

Q. I suppose you would agree with this, that a single-track railway line has quite a limited capacity, has it not

A. Well, there is a limit to everything, yes.

Q. Well, doesn't it really get down to this, Professor Stewart, that a very large capital expenditure is probably necessary to create additional capacity on the railroads today?

A. That is quite true, but if the additional expenditure brought in more revenue, then you would be contributing towards in the one case the returns on equity capital in the C.P.R., and in the other case you would be contributing towards the national debt related to C.N.R.

THE CHAIRMAN: Would you please tell me in what direction you have in mind the expenditure for increased capacity, Mr. Evans

MR. EVANS: Well, sir, the evidence with regard to the requirements of the Canadian Pacific was presented to the Board of Transport Commissioners by the enior Vice-President of the Canadian Pacific, Mr. Crump, and his evidence, together with that of Mr. Newman, was to the effect that expenditures in excess of $4,000,000 on capital account would be required within the next five years.

THE CHAIRMAN: For what purpose

MR. EVANS: To modernize and to increase capacity and so on for handling of traffic more expeditiously.

COMMISSIONER INNIS: Is there any evidence in that document as to the extent of the movement of empty cars?

MR. EVANS: In the study to which I refer

COMMISSIONER INNIS: Yes.

MR. EVANS: No, sir; it has to do mainly with improvements, signals, terminals -- of course, terminals have a lot to do with the capacity of the railway, because in effect your main line may be no more effective a carrier than your terminals will permit you to handle traffic in.

THE CHAIRMAN: Well, this large expenditure and the additional capacity which will be required in that way is in view of what. You expect increased volume of traffic, or what is it in view of?

MR. EVANS: Well, it is to meet the changing conditions; it may be to meet increased volume, it may be to handle traffic more expeditiously, particularly in terminals. For example, the putting in of signal installations increases greatly the capacity of a single-track line to handle traffic -- all kinds of modern improvements to speed up, and as you speed up you do increase capacity.

THE CHAIRMAN: Yes, but what I mean is, is the traffic there to be done -- an insufficient capacity to meet it, now?

MR. EVANS: Well, we of course say that we are operating at close to the limit of our capacity. There are always areas in which you could develop new traffic and carry it, for instance examples of where general movement of empty cars is in one particular direction. You will always find places where you can have additional traffic, but we contend that on the whole, and having regard to the movements of traffic that take place in the

country, we are at almost capacity today. Certainly as regards equipment there are complaints before this Commission -- I think you will remember receiving a brief, which has not yet been presented, that has been received from the Northern Alberta R ilway Shippers, who complain about the inability to supply equipment.

THE CHAIRMAN: All right, go on.

MR. EVANS: Q. I was going to ask you, Professor Stewart, how you think a privately owned enterprise is to acquire the necessary capital for the improvements which will increase capacity and increase its efficiency and make these savings that you refer to?

A. It could be made out of earnings or it could be borrowed.

THE CHAIRMAN: Q. What is your answer?

A. It could be made out of earnings or it could be borrowed.

MR. EVANS: Q. If the earnings are not available, then your only alternative is borrowing?

A. By the ordinary commercial means.

Q. I suggest to you that borrowing for a private enterprise has very limited possibilities and that equity capital or so-called risk capital is necessary; would you disagree with that?

A. That is true, yes.

Q. And is it not also true that risk capital requires at least the possibility of probability of high earnings in high traffic volume years, and in that way to compensate for lesser earnings in perhaps depression periods?

A. Where there are irregularities in either actual revenue or expected revenue, you have to offset one with the other, yes.

Q. And can you suggest to me how the Canadian Pacific, with its stock selling at its present level, can acquire equity capital today?

A. Well, you know more about the Eastern mind than I do, Mr. Evans, but it seems to me that, while there is a great deal of talk about equity capital and risk capital, one of the problems of our country today is that the people who have the capital invested would grow pale at the hazards of a bingo game.

THE CHAIRMAN: Q. At the hazards of what?

A. At the hazards of a bingo game. They prefer Government bonds and Government-supported housing schemes to real industrial venture. If you can suggest any way of getting at them I would be glad to hear it.

MR. EVANS: Q. I am only asking you to make these suggestions because, after all, you suggested the solution to the railway problem today as increased traffic, and, having suggested to you that increased traffic requires capital investment, I was asking you to say how we might have those additional capital improvements provided?

A. Well, it seems to me that if one takes the more optimistic view, which is my view, of the future of this country, there is a reasonable chance for profits in the railroad business still.

Q. That is to say, you think the Canadian Pacific could, with reasonably inclined investors today, acquire

equity capital in its enterprise?

A. It would be purely a guess, but I would guess that if they would take the same bold and far-sighted view that I am suggesting should be taken of these problems, they would see profitability in investment.

Q. I wonder if you realize that it is not legally possible to sell equity securities in the Canadian Pacific when the stock stands below par?

A. I did not know that.

Q. No. And the par value of Canadian Pacific shares is 25, I suggest to you, and the current market price is around 12.

THE CHAIRMAN: Where is that legal impediment to be found, Mr. Evans?

MR. EVANS: It is particularly to be found in the Order in Council authorizing the increase of the amount of stock which we can issue, but I think it is generally true of any incorporated company with shares having a par value that they cannot sell their shares at below par; but, whether that were true or not, it would of course be a tremendous dilution of existing equity to sell stock at the going market rate.

THE WITNESS: Mr. Evans, you would not suggest that the dismal picture of the position of the railroads which counsel for the C.P.R. presents has any bearing upon the value of the stock?

MR. EVANS: Well, you may have that view, but I would suggest to you that the two-year or year and a half delay in getting an adjustment in freight rates to meet increased costs of operation was a greater factor, because

I think it can be established -- and I think you might agree -- that the investing public is quite intelligent about these things, and that the people who buy and sell on the markets that really control prices of stocks are not merely influenced by ---

A. Counsel for the C.P.R.?

Q. -- the picture that may be presented by me personally; but, on the other hand, are you suggesting that I am painting too dark a picture, one not in accordance with the facts?

A. It seems to me it is taking a short-run view of the situation.

Q. On page 4 there is a reference to the early location of the Canadian Pacific, and in paragraph 4(a) this statement appears:

> "The east-west link was established entirely within Canadian territory, and its location within the prairie region was selected with a view to preventing effective competition from U.S. roads for long-haul traffic."

By whom do you say that the selection was made:

A. I presume the answer to that is that it was largely a matter of government policy.

Q. Would you be surprised to know that the first route to the coast selected for the Canadian Pacific was by the Yellow-Head pass, where the Canadian National now goes?

A. I mentioned that here.

Q. Then do you suggest that after that route was selected and after the company was incorporated, the

Government changed that route?

A. No, I am not sure of the timing of it. I merely suggest that, while there was an earlier idea that the road would be built by the Yellow-Head pass, eventually it was built by the southern route, and all the authorities on this period indicate that that decision was made for strategic and political reasons.

THE CHAIRMAN: That is on page 4?

MR. FRAWLEY: Yes, and at the top of page 5.

MR. EVANS: I am about to suggest that there is a great deal of perhaps erroneous writing on the subject, that the company in fact applied to Parliament and had passed in 1882 an Act permitting them to choose the southern route, and in terms which I suggest you will find when you read the statute suggest it was the company's doing and Parliament was rather grudging in giving its consent. I will give you that reference if you are interested; it is 45 Victoria, Chapter 53.

THE CHAIRMAN: What year is that?

MR. EVANS: 1882. Part of the recital reads this way:

> "And whereas it may be found to be in the public interest that the junction with the western section at Kamloops should be made by way of some pass other than the Yellow-Head pass."

The Act goes on to enact, and the authority is permissive in the first section:

> "The Canadian Pacific Railway Company may, subject to the approval of the Governor in Council, lay out and locate their main line of railway from

Selkirk to the junction with the western section at Kamloops by way of some pass other than the Yellow-Head pass, provided that the pass be not less than 100 miles from the boundary between Canada and the United States of America."

Q. I suggest to you that it was the company's request that resulted in the change in route, and that it had nothing to do with Government policy. You disagree with that, do you?

A. I would not think from the evidence that I know that it had nothing to do with Government policy. Undoubtedly, of course, the company having been formed, the decision as to where the road would be built would be immediately the company's decision. You would not suggest that the same considerations applied in the case of the Crows Nest Pass agreement?

(Page 1975 follows)

Q. I was coming to the Crows Nest Pass in the next few minutes. I will come back to that, and if I do not you remind me, please. On page 5 you say:

> "This location was abandoned for the southern route largely in order to check competition from American roads, and thus to develop traffic on the transcontinental line."

I suggest to you that we were protected at that time - that is in 1882 - by the so-called monopoly clause, and in fact we had nothing to fear from competition from American roads in that territory?

A It is pretty hard to get back to the psychology and reasoning of the people at that time.

Q I think I agree with you, and I do not think either you or I ought to be categorical, and may I suggest that you have been a little?

A Would you mind taking that up with Dr. Innis? He is the authority.

Q Then to pass on to the Crows Nest Pass, where I think you wanted to go, the statement in the brief as to the Crows Nest Pass agreement is this:

> "The reason for the subsidy to the Canadian Pacific, known as the Crow's Nest Agreement, was 'to enable the Canadian Pacific to prevent the Great Northern Railway from invading Canadian territory.'"

A Perhaps I can anticipate what you wish to say there. If that way of putting it has either misrepresented Henry's position or is in fact wrong, I should like to add that there were other reasons. It is probably incorrect to say "the" reason.

THE CHAIRMAN: Please speak up, Professor Stewart.

THE WITNESS: Mr. Evans raises the point that in this reference at page 5 to Henry's statement regarding the Crowsnest Pass agreement, I say Henry points out "the" reason. It should be "among the reasons."

THE CHAIRMAN: What do you consider is meant by the invasion of Canadian territory by the Great Northern?

MR. EVANS: There was a suggestion at one time that the Great Northern, which was then extending westward, would run its line into western Canada.

THE CHAIRMAN: But only with the permission of the parliament of Canada.

MR. EVANS: Oh, quite, and certainly one of the reasons that prompted the Canadian Pacific in the case of the Crows Nest Pass railway was to forestall competition.

THE CHAIRMAN: By providing service.

MR. EVANS: Yes.

Q I suggest to you one of the principal reasons was the potentialities for traffic in that area?

A Undoubtedly there were other reasons. I am sorry if I misrepresented that.

Q That, of course, would be apart from any political or national considerations at all. It would be a matter of business concern?

A Quite.

Q To a railway operator?

A Yes.

Q Now, have you knowledge as to the amount of the Crows Nest Pass subsidy?

A That is fully -in fact, the whole agreement is given in Henry, I think. It was, as I remember the amount,

$11,000 per mile up to a maximum of $3,500,000.

Q It was a relatively small subsidy in the terms in which you have been dealing with the other subsidies?

A It was a relatively small subsidy.

Q And for that subsidy the west has had, would you not agree, full measure of repayment in the Crows Nest Pass grain rates?

A That is a pretty difficult question to answer.

Q You would not agree with that?

A I am not in a position to answer that.

Q Have you ever compared the grain rates to the south for equal distances on the United States lines?

A Yes, I have at one time.

Q And if those are taken as the measure, I suggest to you that in return for that three or four million dollars the Canadian Pacific has foregone revenue equal to many hundreds of millions of dollars? Would you disagree with that?

A I am not in a position to agree with that, but I should think that even $3,500,000 - I do not know whether or not the railroad actually got the maximum - at compound interest in the last fifty years represents a fairly substantial amount today.

Q Now then, what authority, if any, is behind that general statement which follows immediately on page 5, and which reads:

> "Thus the design of the Canadian Pacific Railway was determined by political considerations."

Is there any authority in your mind other than those to which you have referred?

A The footnote on page 1 of the Duff Commission report, explaining its historical treatment of the subject, starts with a reference to the extent of political considerations in the determination of the whole railroad system.

Q When you say "footnote" is there one referred to here?

A No, you asked for additional authorities, and I refer you to the Duff Commission report.

Q The Duff Commission report and the footnote. Is that identifiable as such?

A It is the footnote on the first page of the text.

Q Coming down further on the page --

A Mr. Evans, just to avoid any confusion, the reference is not peculiar to the Canadian Pacific Railway in the Duff Commission report. It is to the whole railroad system.

Q But that interpretation which appears here, that is to say, relating it to the Canadian Pacific,was your interpretation of the footnote?

A No.

Q It is the authority for the statement that you make here that the design of the Canadian Pacific was determined by political considerations?

A The footnote is general, not specific to the Canadian Pacific, but general to the whole railroad structure. In the discussion in the text, however, reference is made to the Canadian Pacific, so I suggest that it is appropriate to apply the footnote to the Canadian Pacific along with other systems. I should like to make it quite clear that, if we seem to be poking at the Canadian Pacific Railway

here, there is no malice at all in that. I have a very high regard for the C.P.R.

Q I have never thought there was. I am just interested with you, and I think you are equally interested with me, in seeing that the facts are put on the record in their fullest light, let us say.

A Yes.

Q Then on the discussion of the subsidy question the list of subsidies is given and the list of loans and so on, and a statement is taken from Professor Martin's statement that:

> "More than $98,000,000 of government subsidies and loans thus went into building of the road", and so on.

Now, then, would you not think it would be fair to distinguish, when you are talking of assistance to the Canadian Pacific, between cash grants and loans?

A Yes, that would be fair.

THE CHAIRMAN: What became of the loans?

MR. EVANS: I am going to suggest to the witness that the loans were at the going rate of interest and were repaid before maturity in all cases. That applies to the loan in item 4, the government guarantee of our securities.

Q If I may pass on to page 6, I do not want to read the entire quotation from the report of the Royal Commission on Dominion-Provincial Relations, but I should like to draw particular attention to the sentence beginning about eight lines from the bottom which reads:

> "To obtain the objectives of that costly policy it was necessary to secure a level of rates which would counteract the North-South pull of geography."

Does that suggest to you what it suggests to me, that there was compensation designed to offset the normal north-south pull, of which you have been speaking, in the level of rates?

A Our position, of course, is that it has not yet been adequate.

Q But does your quotation not rather suggest that was the case? You see it says it was necessary to secure that and --

> "Hence the Dominion played an important part in shaping the railway rate structure (by legislation and by rulings of the Railway Committee of Privy Council and later of the Board of Railway Commissioners)."

A Undoubtedly adjustments have been made in the original structure, and in part so far as those adjustments have been consistent with the general policy of east-west movement.

Q I was going to suggest to you that it had in fact been accomplished, and not the least of them was the low level of grain rates. Would you not agree with that?

A No.

Q You would not?

A No.

Q And comparatively may I suggest this to you, in giving me the answer "no" do you mean to be taken as saying that had you been permitted to avail yourself of the results of this north-south pull you would have been better off in regard to transportation of grain than you are under the Crows Nest Pass grain rates?

A No, that is not my position at all. My position is simply that the whole structure of this region, transportation and resource development, would have been entirely different from what it is now had we permitted the influences of the north-south pull to determine the character of this economy.

Q We are talking about grain rates, and I think you said no to the suggestion that the establishment of the low level of grain rates indicated the intention of compensating for the loss of the north-south pull effect. I was asking you if it had not been accomplished in part at least by the grain rates, and I was suggesting to you that if that north-south pull had been allowed to operate that you would have had higher grain rates. Would you not agree with that?

A From my knowledge of the relative relation of rates in the United States and in Canada I assume that, things being as they are now, we would in fact be paying higher rates than we are paying.

Q Yes.

A But that, of course, is not my argument at all. It has no bearing on my argument.

Q I thought we had cleared up the question I asked you and to which you gave me a negative answer. I am not dealing with your general argument. I am dealing with the answer you gave me as to whether you did not think that the purpose of establishing a level of rates which would counteract the north-south pull had been accomplished in part at least by the grain rate ?

A Well, we are better with lower rates than we

are with higher.

THE CHAIRMAN: What is the answer?

A We are certainly better with lower rates than we would have been with higher. To that extent it has made some difference.

MR. EVANS: Q. On page 7 there is a matter that I should like to have cleared up. You are talking there of the purposes of the Dominion, and in a paragraph beginning about the middle of the page you say:

> "The purposes of the Dominion were to secure the rapid settlement and development of the west as a vast agricultural hinterland and market area for the products of eastern industry."

Do you say that was a conscious policy, to develop the west as a hinterland and keep it as such? Is that your suggestion?

A I think it was a conscious policy to develop the west, and that the view at that time was that was exactly the function which the west would perform for the eastern provinces.

Q I suggest to you there is a difference between the view they held at that time and conscious policy. One might have been lack of foresight and the other was design.

A I am afraid I do not follow the distinction, provided we assume they are rational people.

Q We will go back and see. Perhaps we are at cross-purposes. I understood you to say that when I asked you whether it was a conscious policy to establish a vast agricultural hinterland, which is the west, as such and to keep it as such.

THE CHAIRMAN: Keep it agricultural.

MR. EVANS: Yes.

Q I was wondering whether that suggestion does not underline the thought that it was a conscious policy? The purposes of the Dominion were to do that?

A That is, I suggest what they saw the capacities of the west to be, and its function to be in the whole economy.

Q Do you say it was the established policy to do it or merely their view of what might happen? That is the point I am trying to make to you.

A It was their view of what would happen if they developed certain policies.

THE CHAIRMAN: Q. That is, the west would remain agricultural and industry would be centered in the east?

A No, sir. I begin to see the point that Mr. Evans is getting at. This does not say that the policies put into effect at that time were designed permanently to make the west merely an agricultural hinterland, but at the time that is what they intended to do.

MR. EVANS: Q. I see no difference between intention and policy myself.

A I am referring to the public policies developed at the time of the opening up of the west.

Q Yes?

A At the time the policies that were developed were designed to open up this area as a vast agricultural hinterland. That is what that paragraph says.

Q Would you also include in that the suggestion

which you make later in the same sentence that it was also designed to provide an outlet for the products of eastern industry?

A It was expected that it would, yes.

Q There again you see you have expectation and design mixed up, and all I want to get is which do you mean in your statement?

A If I see by doing certain things certain results will follow, and I do those things, surely I am entitled to say that I do them by design.

Q As long as we understand each other. You are entitled, of course, to your opinion. May I now pass on to page 8. There is a paragraph beginning just below the middle of the page in which you suggest that a study of the map showing the location of railroad lines near the United States-Canadian border would show that there was a design in the construction of railways which was, as I gather, to move traffic preponderantly east and west?

A Across the pre-Cambrian shield.

Q I am not a sufficiently able geologist to know where the pre-Cambrian shield begins and ends, but I put the situation to you that you feel that an examination of a map will show that the design of railway construction in Canada, when compared with construction to the south of the border, indicates the intention or design that traffic should move east-west rather than north-south?

A Well, the difference is not between east-west horizontally and north-south perpendicular to that. It is the pull of the south. If you study - and no doubt you have done so, Mr. Evans - the North American map, the

outstanding geographic feature of that is the southward intrusion of the pre-Cambrian shield. Nobody looking at that map would expect that a line of communication would be thrown from Winnipeg across northern Ontario to Montreal and Quebec. I think it is obvious on the surface, topographically speaking, that it would have gone south. That is my point.

Q South from the western provinces?

A Southward.

Q I suggest to you there are railway lines connected to the south which can take any movement of north-south traffic today, if it were moving that way.

A Yes, sir, but there are not nearly as many connections as we would expect to have if there was no artificial boundary between the two.

Q Quite, but I am trying to establish the difference between what may be national policy with regard to tariffs, and national transportation policy. I suggest to you that the railways will follow and provide facilities where traffic is moving, and that it is not a transportation question but a tariff question you are talking about?

A I am not prepared to separate them so far as this historical period is concerned. I think, as I have indicated, that they were so closely integrated in the whole policy that one cannot separate them. I admit that railroads are free to go somewhere, and if there is a profit to them they will go that way. If they are impeded by national policy then they may not. I am not blaming the railroads for this situation at all.

Q I am not suggesting you are. I want to see where we are leading, whether you think this is a transportation problem or a tariff problem?

A I just refuse to separate them.

Q Then we can leave it. May I suggest this further thought to you, but before I do so perhaps I ought to ask you whether it is your view that the outlet for agricultural products in the west would be found in the southbound movement into the United States?

A We could induce a much larger flow.

Q Of agricultural products?

A Yes.

Q Is there not a large agricultural territory immediately to the south in the western States?

A That is true.

Q And do you suggest that territory in the United States could absorb the surplus wheat production of the west?

A You see my difficulty is this, Mr. Evans, that you are assuming that things are as they are, and then all of a sudden you add on top of United States production Canadian production. That is not the answer. The answer is if you had an integration between those two economies you would have a different set of circumstances on both sides of the border.

Q And do you want integration?

A Today I am not afraid of it.

THE CHAIRMAN: Do you want what?

THE WITNESS: I am not afraid of integration with the United States today. I think probably, as I have

indicated, that at the time of confederation close economic integration with the United States would have meant political assimilation, but we were not a country at that time; we were not the nation we are today. Personally I am not afraid of doing business with a wealthy neighbour. In fact, that is the man to do business with.

THE CHAIRMAN: Q. When you use the word "integration" please go a little further and tell me what you mean by integration.

A I mean that the use of resources in the two areas is not impeded by artificial --

Q Tariff barriers?

A Tariff barriers and other factors which are associated with an international boundary, at least have been traditionally as between the United States and Canada.

Q Is that what they used to call unrestricted reciprocity?

A Well, the term "repicrocity" is closely allied to what I have in mind. Mr. Chairman, within the last few weeks there have been a number of conferences between businessmen in Alberta and businessmen in Montana and States immediately to the south, on the problems of sheer communication between those two areas. It is inconceivably difficult.

Q Do you mean commercial communication?

A Commercial communication. It is inconceivably difficult to make communications and connections with southern points.

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Q. What is the nature of the difficulties?

A. Well, scheduling flights, for example, in the airways; connections and a small number of points through which traffic moves across the border.

Q. By rail?

A. By rail and plane. And since this was written, the recent agreement with the United States in the matter of airways is just a straw in the wind, because in that agreement, Edmonton is affected. And I suggest that it is just an indication that, in the situation in which we find ourselves today, it is not only contrary to our advantage, but I think it is actually impossible for us to prevent closer north-south relations than have obtained in the past.

Q. What have you in mind?

A. I have in mind that we stimulate trade with our neighbors to the south, not to the detriment of east-west trade, necessarily, but as an essential element in the structure, to offset the difficulties we are confronted with today as a result of the situation in Europe, and also to enable this country to grow. We will have to do that, and if our markets are increased in the United States, and our trade with them is facilitated, then transportation facilities will have to grow along with it, and traffic will be provided.

Q. Would that call for any change in the production policy of those American studies you have in mind?

A. I realize that there will be local and sectional competition which will develop from that, and probably there will be objections. We do know that the recent airway agreement stepped on the corns of some American

interests, and they can squeal very loudly. But it does seem to me that, generally, so far as this country is concerned, there is a growing recognition of the advantage to the United States of closer economic integration with Canada and of expanding trade with this country; and, while certain interests may object, I think, as I have indicated in this brief, that we are in a better position to get possession of those things than we have been in in the past.

Q. Do you think the trade you have in mind would flow both ways? Is that right?

A. Yes.

THE CHAIRMAN: All right.

MR. EVANS: Q. May I sum up your argument, as I conceive it, on this point, by suggesting to you that your argument is: Because in the past, developments were not allowed fully in what you think were their natural directions, therefore some compensation should be paid to Alberta which would, in effect, be an award - I do not want to put it in the way of damages - but, at least some compensation to Alberta for the failure of the political policy in the past to recognize what you call normal directions of trade and commerce?

A. I have suggested two features of the situation which I think would be to the advantage of this region and to the advantage to the country as a whole, which might be corrected. One is the high degree of vulnerability of this economy in the prairie regions depending, to the extent that it does, on wheat. Supposing we take the gloomiest view possible, and assume that we lost all our markets in Europe. I do not take that view myself,

provided we use intelligence ourselves, in dealing with the problem. But supposing that happened, what kind of a mess would Alberta, Saskatchewan, Manitoba and the Canadian Pacific be in, if that happened? That is the extent of our vulnerability.

Q. I would like to discuss this question of vulnerability with you, because I have some questions on it. But my present thought was, as I put it to you; I wanted to find out if you were, in fact, arguing that: because you have been deprived of this north-south movement of trade and commerce, that Alberta should have some special consideration in transportation rates?

A. No, that is not it.

Q. Well, if it is not, we will pass on to the vulnerability question, which was something I was coming to on the next page. But before I deal with the vulnerability question, I want to deal with the paragraph at the middle of page 9, which begins:

> "The first broad consequence is that the province of Alberta has been created 'without an integrated balanced, economic structure'....."

That is a consequence of national policy.

> ".....the second is that, being insulated from factors affecting railroad rates in other parts of the dominion, the region of which Alberta is a part is peculiarly vulnerable to the application of the monopolistic principle of 'charging what the traffic will bear.' "

You say that the province of Alberta has been created without an integrated balanced structure. Is it your view

that it should have been originally created with an integrated balancedeconomic structure, or just what is your suggestion?

A. I assume, to begin with, it would have been very difficult, if not impossible, to do that. But, as things have developed, we have not yet acquired an integrated balanced economic structure; and it would be to our advantage, and to the advantage of the economy as a whole, if that should be facilitated.

Q. But you say that the fact that it was created without it had some basic origin in national policy; I wondered if you really meant that?

A. Yes sir, in the matter of degree.

THE CHAIRMAN: How else might the province have been created?

MR. EVANS: Q. That is my difficulty, Mr. Chairman.

A. Had it developed as part of the United States - which I am not suggesting it should have done - but, had it, it would have had a different kind of structure. In general, I think it would have been a more integrated and balanced structure.

THE CHAIRMAN: Q. As part of the United States?

A. I think it would.

MR. EVANS: Like Montana and North Dakota?

. No. Montana is not, in any sense, comparable, neither is North Dakota. But when you get to Colorado, you get something which begins to look like the province of Alberta. It is very difficult to find a state south of the border which is, in geographic respects, comparable to

Alberta. As you go further south, the mountains move east; and to get into a foothills state, you have to go considerably further east. In the geographic sense, eliminating the effect of location with respect to markets, I think that probably Kansas and Colorado come as close to being like Alberta as any state.

Q. I suggest to you that the American west of the United States was developed by pressure of population and by people looking further afield for new wealth, and that that same condition existed in Canada as well as in the United States.

A. That is correct.

Q. nd because pressure of population in the eastern United States has increased, there has been a tendency to have a more industrial section in the midwest. Weuld you not agree with that?

A. That is quite true. It is a difference of degree rather than of any absolute difference in our economy. For example, I think we/would have had/a far more rapid investment in natural resources, had Alberta been over the international boundary, which, to some extent, is an impediment to investment.

I also know that at one time the United States agricultural attache in Ottawa asked me if I would care to make a study of conditions of living of people in municipalities on either side of the border. He said that the illustration would be very illuminating. And my own slight experience suggests that that would be true. In other words, I agree with many other people who contend that it has cost us something to remain Canadians.

THE CHAIRMAN: Q. It has what?

A. I say, Mr. Chairman, that it is costing us something to remain Canadians. We are not regretting that at all, but we are asking that, in the same sense, costs be distributed.

Q. You say conditions south of the border are better than those north?

A. I think that is undoubtedly so. That is what Mr.Taylor, the agricultural attache, wanted, and fully expected that the study would show, in terms of conditions of living of people on one side of the border. There is a substantial difference. He had reference to the border at Manitoba and British Columbia.

MR. EVANS: Q. Are you suggesting that it has cost us all something to be Canadians, or only those people in the middle west?

A. Yes.

Q. Where would the compensation come from, if they had to be compensated for the loss we sustain by remaining Canadians?

A. I think we are all compensated, in that sense, in that we want to remain Canadians.

Q. I thought you wanted something more?

A. No. I am suggesting that what the whole policy and the development and history of Canada has done has been to confer larger benefits on the east than it has on the west.

Q. And you want that to be shared?

A. Yes.

Q. Although you have geographical disadvantages, you

want something to make up for those geographical disadvantages?

A. I want them to be shared, inasmuch as we think national policies do stimulate the development of this country to a greater extent than they have in the past in this region, and I mean the recent past. I say the recent past because, obviously, the building of the Canadian Pacific, and other things, did contribute. But we do not want to go to sleep on top of the Canadian Pacific. There are a lot more resources to be developed still.

Q. May I turn to the second section where you say:

> ".....the second is that, being insulated from factors affecting railroad rates in other parts of the Dominion, the region of which Alberta is a part is peculiarly vulnerable to the application of the monopolistic principle of 'charging what the traffic will bear' ".

With regard to that, I suppose the factors which affect railroad rates are competition, and you are insulated from that, and then you feel that competition is a good thing for the railroads?

A. In general I think some competition is good for everybody.

Q. But I am speaking of carrier competition and not competition between rates. I think everybody agrees that it is, too, as a generality; but would you think that the more competition the railroads have from other forms of transport, the better it is?

A. Provided that the competition is - how shall I word it - a changing competition.

Q. You feel that Alberta has suffered because it has not competition?

A. Yes.

Q. And that, of course, must mean that the rates, you feel that the rates, even with the regulation which now attends the railway rates, are higher than they should be?

A. Some of them, certainly.

Q. But as a level?

A. Yes.

Q. You think they are higher than they should be, and that must apply throughout Canada, must it not, because, if you are going to have competition in the east to get them down, and competition in the west to hold them down, you have your ideal. As I understand it, that must be by what you suggest: That it is necessary to hold rates down in the public interest, and that otherwise they would be too high and would go too far?

A. I do not quite follow your point, sir.

Q. Do you or do you not say that railway rates are too high, as a level, in Canada?

A. No, I do not, not in Canada.

Q. But you say they are too high in the west?

A. Yes.

Q. And one of the reasons you say they are too high in the west is because you have not got this competition?

A. That is right.

Q. And that therefore the railway rates, under the regulations of the Board, can go too high unless there is freight competition to hold them down?

A. Yes.

Q. Does that mean you think that the railroads are making too much money today?

A. No.

Q. Have you any views on that subject?

A. Not sufficiently considered to offer them to you, sir.

Q. Now then, when you speak of the monopolistic principle of charging what the traffic will bear, do you think that is a good principle?

A. What I have in mind here is: That if you charge different people different prices for the same service, you have got an element of monopoly; you cannot do it otherwise; and that is what we are objecting to. You say that in the eastern region you will have a certain level of rates, whereas in the western region, you will have a higher level of rates.

Q. You are sure that they are higher?

A. Well, the standard rates are still higher in the west.

Q. The scales may be higher in some respects?

A. Well, we have discussed this before, and we have not agreed on it yet.

Q. You were about to say?

A. I wish I could get across to you what I have in mind, Mr. Evans. You are a very human person, and I think you can understand this. I wish I could get across to you the sense of feeling of the people of this region on this matter of differentials in rates. We do not know much about the history and development of these things.

Q. Oh, I think you are too modest, Mr. Stewart.

A. I am talking about the people of this area, generally. But we are Canadians. We sing "Oh Canada", and we get as starry-eyed with patriotism as anybody else. But when a national board comes along - and I would like to assure you that when I say that, it is with no disrespect to the Board of Transport Commissioners - but when a national board comes along and says: Now, young fellows, we have got you out here by the short hair; you are in a lovely position to pluck; and therefore we are going to maintain higher rates in this area than elsewhere. That is when we lose some of the starlight in our eyes, and you begin to hear people in the west murmuring about unjust discrimination. I think you can sense that.

Q. I can sense quite a deep feeling in you, Professor Stewart; but I wonder how many judgments of the Board of Transport Commissioners you can point to as indicating that they have had that view about the west?

A. All we know is that there is no equalization, despite the fact that the Government of Canada has gone on record in support of the principle of equalization; but we have not yet got it.

Q. As to the suggestion that equalization was not altogether 100 per cent possible, would you not agree with it?

A. Not very much.

Q. Well then, as far as possible; you must have a qualification?

. Well, it still remains the principle: That for the same service, we are apparently - I am not arguing the actualities of it, because this matter will be taken up in later submissions - but we know, and we do say, first,

that the scale of standard rates in the west is still higher than it is in the east; and we are interpreting that, for some reason or other, that it is for the same service that we are charged a higher price, that is, for the provision of the same service, you will be charged a higher price.

Q. You do not, I gather, agree that, under any circumstances, water competition in the east would justify a difference in the level of rates?

A. Bearing in mind that the government built all those canals, perhaps it might be, yes.

Q. Bearing in mind that they did it?

A. Yes.

Q. You think there might be justification?

A. I think it could be taken into consideration.

Q. Do you not think that was one of the reasons for the difference between the rates, between the east and the west?

A. I do know that water competition is a factor, yes.

Q. At the bottom of the page you begin to talk of competition, and you say:

"In reality competitive industries are vulnerable industries......"

I was going to ask you if you did not agree that the railway industry is a vulnerable industry, in that sense?

A. We can get into trouble by the use of terms such as "monopoly"; but presumably it can be interpreted as a complete monopoly in a certain sense; the railroads are in a competitive situation and they have to compete with other forms of transportation. In another sense, they have a measure

of monopoly, at least.

Q. I think you will agree with me, and you have already said, that you felt there should be competition in the west to a greater extent than there is?

A. Yes. I just want to guard against the implication that I want to create competition.

Q. But you want to encourage it? You want to make it more vulnerable, and so on, and your own industry less vulnerable?

A. What we find is: That if everybody is in the same sort of situation, then, perhaps it does not matter what the conditions of that situation are. But in an economy, when you have certain parts in which there is rigidity, as a result of improper competition, and there are other parts in which there is flexibility, then you do have trouble with that same situation.

Q. I was going to suggest to you one step further: That the railways are peculiarly vulnerable in this sense: That the railway company must carry all kinds of commodities, and the railway company must, if it is to move those commodities, carry them on this value of service principle. Do you not agree? And with that thought in mind, do you not agree that the railway is a pepuliarly vulnerable industry, vulnerable to the competitionof the motor truck industry which operates on an accomplished service principle, and can select its traffic?

A. That is effective competition in the area in which it is found .

Q. Yes, and it is even more serious is it not, than ordinary commercial competition, having regard to the considerations which I put to you?

A. I find it hard to assess that it would be effective competition.

Q. Yes; effective competition; it is selective and has no application to more serious competition than ordinary commercial competition where you are free to meet it, has it not?

A. Yes, all right, I will agree with you.

THE CHAIRMAN: Q. Before you leave that, you say on page 9:

> "In reality competitive industries are vulnerable industries; and regions dependent on competitive industries are vulnerable regions."

Have you in mind the competition of industries which are out of this region?

A. No. I mean that where the region is dominated by the competitive industry.

Q. You mean in some other part of the world?

A. No, within the region itself. I have in mind, so far as the prairie region is concerned, as the Premier's brief has already indicated, there is still substantial agricultural competition, since agriculture is a competitive primary industry.

Q. Competitive with you within the region?

A. Competitive within itself, sir; it is an industry made up of small competitive units.

Q. You mean that each farmer is a unit?

A. That is the sense in which I am using the term, yes.

Q. I thought, perhaps, you simply meant that Alberta had to compete, for a great part of the agricultural production in world markets, with other industries abroad?

A. I am thinking of the structure of the industry, as being a large number of small producers in a competitive situation.

Q. Can you imagine any region where there are not a number of units competing with each other?

A. You could delineate parts of Canada where there is one dominant industry, and it is the only firm in that industry.

Q. And where would that be?

A. Such things as aluminum and nickel.

MR. O'DONNELL: And wheat!

THE CHAIRMAN: Q. Well, the industries which are invulnerable must be few and far between.

A. It is a matter of degree, sir, yes. You can find illustrations ranging all the way from what might be described as pretty competitive situations to complete monopolies; and in between them, various degrees of imperfection in competition.

Q. What you mean is this: That within a given region the industry is vulnerable from attacks by other people in the same industry?

A. No, sir; under changed conditions, the condition of monopoly or limited competition does make it possible for the producer to adopt certain policies which would protect him against the effect of change. Now, in a competitive industry, that is not possible. So that, for example, when the markets for prairie wheat deteriorate, there is nothing.

Q. You are talking now about foreign markets?

A. Yes; but it is the behaviour of the producers within

the industry which may compensate for such changes within the industry itself.

Q. What I had in mind was: What are the vulnerable industries which you find in Alberta?

A. Agriculture, predominantly.

Q. And why is it vulnerable?

A. It is vulnerable in comparison with other industries because it is constituted of a large number of small producers, each, themselves, deciding how much they are going to produce.

Page 2005 follows

Q. Yes, but I do not see the application of the word "vulnerable" there?

A. Well, I go on, as you recollect, sir, to deal at length with the effect of the depression of the thirties on the economy here. It seems to me that that illustrates the general point I have in mind, that when you are dealing with an industry like agriculture or a region which is dependent upon an industry like agriculture, such as the prairie region, the sort of structural maladjustments which occur, and to which adjustment had to be made, these things bore relatively heavily upon the agricultural industry and upon the region dependent upon it. That is a matter of objective test. During the period of the thirties the prairie region was the one which suffered most greatly from the impact of changes at that time.

Q. Changes, you mean, in the world?

A. Yes.

Q. Not within the region itself?

A. Not within the region itself.

Q. That is what I thought. All right.

MR. EVANS: I am afraid I have been long. I intended to be only half an hour, but I got really quite interested.

THE CHAIRMAN: We are getting a free course.

---The Commission adjourned at 1.03 p.m. until 2.30 p.m.

Edmonton, Alberta,

June 16, 1949

AFTERNOON SESSION

---The Commission resumed at 2.30 p.m.

ANDREW STEWART, recalled

MR. EVANS: I apologize to the Commission for the long time I took.

THE CHAIRMAN: You did not take it all; I took some of it myself.

MR. EVANS: I am only going to be a few minutes longer. I hope you will not consider that I am imposing on your patience.

CROSS-EXAMINATION CONTINUED BY MR. EVANS

Q. I had a question to ask you, Professor Stewart. At the top of page 10 it reads:

> "We do not think it can be successfully argued that persons who choose to invest their capital, engage their enterprise, and occupy their effort in such regions must quietly accept all of the harsh consequencies."

Would you suggest that as a general principle to apply to privately invested capital?

A. I have a strong sense, I think, of personal responsibility, and I would hate to see that sense of personal responsibility lost, but ---

THE CHAIRMAN: Q. Pardon me; may I be told first what is meant? What sort of capital, Professor Stewart, have you in mind? Are you thinking of the individual farmer who buys a farm?

A. That would illustrate the case, yes, -- a man moves in here, brings some capital with him, sets himself upon a farm and goes to work; does he have to accept all of the consequences of the environmental situation to which he comes? Presumably his decision to move in and settle there, from one point of view could be said to be his own choice; he just has to get along under these conditions. Now, against that I think we have to recognize that there are certain conditions external to the individual which affect the situation and for which he is not wholly responsible, and I would modify the position of complete personal responsibility to that extent.

MR. EVANS: Q. Even though the pattern, as it were, had been set when the investment was made?

A. Yes.

Q. Even though it were set:

A. Even though, yes.

Q. Now, at the bottom of the page and on the succeeding page, would it be a fair summary to say that the view you are expressing is that the primary industries are more seriously affected by depression conditions than other industries?

A. Yes.

Q. Referring to the bottom of page 10 and page 11, would you not agree that, at least in part, the depression period -- I am speaking now of the middle thirties -- was very much worse in Western Canada because of drought conditions that happened to coincide with the economic depression?

A. That was a factor, yes.

Q. But, leaving drought aside, would this not be a fair statement to make, that by and large an agricultural community always has the ability to earn a bare subsistence in the worst kind of depression?

A. That is more true of the rural industry than of urban.

Q. Yes; so that when you get a depression of the depth which we met in the middle thirties would it not be fair to say that the industrial East possibly was even more seriously affected, inasmuch as many families had no even bare subsistence?

A. Well, there were certainly certain sections of the population of the East who were perhaps as seriously affected as the West, but as against that there were certain other groups whose position was perhaps relatively improved at that time.

Q. Well, at least we can say it is pretty difficult to generalize, and I think you might agree with me that it is pretty difficult also to say generally that primary industries such as agriculture are necessarily more seriously affected in periods of depression than ---

THE CHAIRMAN: If you are still talking of that particular time, would not the relief figures show where the greatest suffering was felt:

MR. EVANS: I think they would, sir; I haven't them with me.

THE CHAIRMAN: Then, of course, they show that these western provinces suffered much more than the others; I mean, those are facts.

MR. EVANS: I think so. I asked the witness

to leave out drought conditions which happened to coincide with the economic depression, but without the accident of drought the agricultural community can be on a subsistence level at all times, whereas ---

THE CHAIRMAN: As a general principle.

MR. EVANS: Yes.

THE WITNESS: It is pretty hard to carry on governmental functions under these conditions.

MR. EVANS:Q.I think we are in agreement, but I just wanted to see how far it was possible to generalize on such subjects, and perhaps you would agree with me that the impression left here might be that the primary agricultural communities as a result of a pure depression necessarily suffer more severely than other parts?

A. I would retain that generalization, but I will admit that there are modifications; qualifications have to be made.

COMMISSIONER ANGUS:Q.Before we leave page 10: do you think that the per capita income in Alberta under normal conditions is below the Canadian average?

A. Certainly the per capita money income is, and, while I would really have to check it, I suspect that the average is.

. I wonder if we could check that, because it is ---

A. I would be glad to try to get some confirmation. It might not be so, say, in comparison with the maritimes. I do not want to argue the maritimes' case, but it might be just as good as ours.

Q. But when you are considering what is a sub-Canadian standard you leave the maritimes out?

A. I did not want to do that.

THE CHAIRMAN: Q. Well, "sub-Canadian" must mean that there is a Canadian standard?

A. I think that Professor Angus would correctly interpret me as referring to some kind of average or norm for the country.

COMMISSIONER ANGUS: It depends on what you choose as normal times, but my recollection of the pre-depression figures is not that they would bear this out.

THE WITNESS: Where there is as high variability as there is, it is pretty difficult to attach significance to a norm.

COMMISSIONER INNIS: Q. I was wondering whether I might ask a question, Professor Stewart. You say on the same page:

> ". . . securing revenues for the performance of their legitimate constitutional functions."

Have you anything particularly in mind?

A. I have education in mind as a case with which I am familiar, of course, and certainly, taking the whole situation in the province, the preponderantly rural pattern, the higher costs of providing educational services under these conditions on the one hand, and on the other hand the revenues available to governments from agricultural income, it is pretty hard for us ---

Q. Well, you have a fairly clear picture in your mind as to what the British North America Act means in making this?

A. I hope so.

MR. EVANS: Q. Then may I invite your attention to pages 16 and 17, where you are discussing the Northern Alberta Railway. First, as regards the operating results, which appear in the table at the bottom of page 16, I suggest to you that the Northern Alberta Railway has had consistently, except during the war period, a very serious deficit on operation?

A. On operations?

Q. Yes.

A. Yes.

Q. I will come to the other factor -- I know what you are thinking about -- on the next page. Just to clear the air a little bit I suggest to you also that the operating ratio of the Northern Alberta Railway is not perhaps as informative in that case as it would be in the case of another railway; have you anything in your mind on that?

A. No.

Q. Well, may I suggest to you that in the case of the Northern Alberta Railway the very large amount of rental paid for equipment is a very serious factor with them?

A. I had noticed that in the statement, yes.

Q. And your figure, for example, just taking 1947, the net operating revenue which you show as $1,060,000-odd, becomes, after tax accruals and rental of equipment, a figure of $221,0000 instead of your figure of $1,060,000.

MR. FRAWLEY: Mr. Evans, after tax accruals and--?

MR. EVANS: And rental of equipment.

Q. And then with regard to 1948, I suggest to you that the comparable figure to the figure of $221,000 of net railway operating income became a deficit of $368,000 in 1948; are you aware of that

A. No. As I mentioned when I read this, these were the two copies that I had, and I just used them.

Q. Now, having cleared that away, on page 17 you say this:

"It is still impossible to believe that in the long-run, the lines have not paid substantial dividends not only to the railways by serving to reduce the problem of unused capacity, but also to all sections of the country" --

THE CHAIRMAN: Where is that?

MR. EVANS: On page 17.

Q. I am particularly interested in the suggestion there that it in effect has paid dividends indirectly to the railroads, the owning railroads, and I suppose that is related in your mind to the traffic that moves on and off the Northern Alberta Railway?

A. That is right, sir.

Q. Would your view be affected by considerations such as an operating ratio of 92 per cent on the Canadian Pacific? That is to say, if you had an operating ratio of say over 90 per cent on the Canadian Pacific, would you then expect a great deal of benefit from additional traffic off the Northern Alberta Railway to offset operating deficits on that line?

A. I presume it would not go very far in offsetting

a deficit of the ratio of 90-odd.

Q. So that you might in those suggestions want to find it possible to believe --- you say it is impossible to believe, but I suggest to you it might become possible to believe that those so-called indirect dividends might not overcome the deficit in the operations?

A. I would not suggest for a moment that the additional traffic secured from the N.A.R. would offset a large deficit on the whole Canadian Pacific Railway system.

Q. You misunderstand me. What I gathered you meant was that the traffic off and on the Northern Alberta Railway, its contribution to the Canadian Pacific and the Canadian National would offset the deficits they incurred in the operation of the Northern Alberta Railway, not the deficit in operations of the Canadian Pacific itself.

A. Yes.

Q. And I am just suggesting to you that, with an operating ratio of over 90 per cent, you might find it possible to believe that those indirect dividends were insufficient to make up for the deficit in the operation of the Northern Alberta Railway?

A. I do not quite see that I could reach that conclusion. There are so many other factors affecting the operating ratio of the C.P.R. that it does not seem to me to be awfully significant. All I am suggesting here is that the additional traffic obtained from a feeder line, if it covers the out-of-pocket expenses of handling that additional traffic, makes some contribution to the overhead of the general system.

Q. Well, it depends on the percentage to which costs are variable with traffic

A. Yes.

Q. And I suggest to you that in the period of near maximum capacity the costs which vary with traffic are greater than they are in periods when you have more unused capacity?

THE CHAIRMAN: What are you suggesting there?

MR. EVANS: Q. I am suggesting that the costs which vary with traffic are greater in periods of high volume than in periods of low volume, and that you cannot generalize as you have done?

A. I admit, of course, that it is impossible for me to prove this contention, because I cannot get at the quantitative measure of things. All I want to establish here by reference to these two cases is that there is a principle that where you have unused capacity in some section, development in one place may contribute to that problem. If I might be allowed to use the technical jargon of my trade ---

Q. I am sure you will mystify me if you do.

A. The proposition would be that there is no necessary identity between marginal social net revenue and marginal private net revenue, and, following that, that there is a valid theoretical principle at least for subsidizing a decreasing-cost industry, and I rather think that the industries are decreasing-cost industries.

(Page 2020 follows)

Q As a matter of fact, there are a lot of other examples in the Northern Alberta Railways where the only justification for their existence as railways in the west, particularly in the west, is the fact that they do contribute traffic to the main line. I do not think there is any difference of opinion between you and me on that.

A I cannot prove my case.

Q But is this not really the question with which we are concerned, whether the over-all operations are paying adequately? Is that not really the transportation problem?

A No, my point is if you could go out and build another feeder line which, in addition to paying its operating expenses and overhead, could contribute something in increased traffic to the system and leave something over out of pocket for the existing transportation system, you would help to solve the railroad problem. I do not know whether there are particular situations in which that could be done.

Q Is it not true that one of the greatest causes of railway difficulty in this country is the over-building of these so-called feeder lines? That seems to me to be obvious. You could continue that to the point where you would never have enough capital, and bankrupt the roads as they exist?

A It can be overdone.

Q All I am saying is you put it that it is an impossible view to believe, and I wondered whether you would not want to qualify that. It is not too easy to generalize.

A It is not impossible to believe if I saw the

the evidence, but just from my knowledge of the development which has resulted from that railroad - and here I am excluding the strategic significance which I think is a valid national consideration - even apart from that I am of the impression that that railroad must have contributed substantially.

Q Now then, I have one more subject and then I am through. On page 19 I rather got the impression from the paragraph at the end of part 3, just before you begin part 4 - and perhaps I am wrong - that you do not distinguish in the comparison between initial subsidies granted to the railways to permit them to begin operation, and a sort of continuing subsidy. Perhaps I have got the wrong impression from that paragraph. If I am wrong all you have to do is tell me and we will pass on.

A I have reference particularly to developmental subsidies, that is, to subsidies to provide facilities which will create resource development.

Q Yes?

A Of course, in the end there may not be so much difference between them.

Q Would you not agree with me this far that the tendency of paying continuing subsidies, rather than pure development subsidies, is to have twc bad effects, one that it would tend to become permanent in the structure and would result in a good deal of resistance if the subsidy were withdrawn?

A Well, you realize that I am in a difficult position with regard to subsidies. I am engaged in the most highly subsidized occupation that there is, and it

continues from year to year. It would be rather inappropriate for me to take a general stand against subsidies. On the other hand, I admit I would not like to see them too widely applied.

Q Then, would it be fair to put this to you - and then I am through - that a transportation subsidy, all things being equal, tends to result in the uneconomic use of transportation facilities?

A No, I would not agree with that.

Q You would not agree?

A I think there are situations in which a subsidy can be justified in terms of the general advantage.

Q Perhaps I do not make myself clear. I was suggesting to you that, as a matter of principle, the application of transportation subsidies, quite apart from the question of whether in individual cases it may be justified, would tend to produce an uneconomic use of facilities? I would have thought that self-evident. I am not saying in the individual case there may not be some justification for it. I am not asking you to accept that. I may have views about that, but as a matter of pure principle is that not bound to result in the uneconomic use of transportation facilities?

THE CHAIRMAN: Do you mean use by shippers or use by the railways?

MR. EVANS: The principle of transportation subsidy, in what I am putting to the witness, would result in use by the shipping public to an uneconomic extent of transportation facilities.

THE WITNESS: I would only agree with that on the assumption that the general acceptance of that

principle would create a public attitude which would abuse the adoption of the principle in particular cases where it was sound.

Q It would be more than an attitude. People would begin to use it where they never used it before. Is that not true?

A Well, that is where my salary comes from.

Q I have not the slightest feeling that you should not be subsidized, but I should like to talk about transportation subsidies.

A I think it is the same principle.

Q I am only putting to you one question as to whether it would tend, all things being equal, and quite apart from the exceptions that may be necessary, to produce an unecomic use of transportation facilities?

A In principle I do not see that.

Q You do not?

A No, although I can see that it is possible that public attitude to the use of subsidies might become such that the principle was applied in cases where it should not be. There is a danger in that.

MR. EVANS: Thank you.

CROSS-EXAMINATION by MR. O'DONNELL

Q At the bottom of page 13, Professor Stewart, in the closing sentences on that page, you refer to the heavy tolls on the movement of producers goods and on commodities, and you say:

"The combined effect is generally to limit the profitability of production in this region and to

check expansion in the use of resources."
Whatever may be said about freight rates, and certain of the anomalies which some people can point to, the fact is, is it not, that through the years goods have moved into and out of Alberta,on those rates and have permitted the province to attain the flourishing financial condition which it is in at the present time?

A I think there are other factors which have contributed to that.

Q There may be some others, but in so far as freight rates are concerned goods have moved in and out of Alberta on those rates?

A That is true.

Q I take it that you will agree with Premier Manning when he says that at the present time there is unprecedented expansion and development taking place in the provincial economy?

A We are in a very flourishing condition at the moment.

MR. FRAWLEY: For the record, where did Premier Manning say that?

MR. O'DONNELL: We have had it so many times for the record. Exhibit 20.

Q In so far as the profitability of production in this region has been checked, and the expansion in the use of resources has been checked, you will agree that, in so far as the agricultural end of the province's business is concerned, that you have this year the highest gross value that has ever existed in the history of the province?

A Last year, yes.

Q Last year - well, I am going to go along with you as the optimist you said you were, and I am hopeful that it will be next year as well.

"The estimated gross value of $545,000,000 for all agricultural products is the highest value recorded in the history of Alberta."

Much of that agricultural production moved by rail, did it not?

A Yes, sir.

Q And that situation, which culminated in the gross production of $545,000,000 last year, has been one which progressively, through the last number of years, has been better and better each year?

A There has been a general improvement inthe last few years, yes.

Q And grain and livestock are the principal parts of that agricultural industry, are they not?

A Yes.

Q And they have moved on the rates which, in the case of grain, were established as of 1898, and in the case of livestock since 1921?

A Yes.

MR. O'DONNELL: Thank you very much.

CROSS-EXAMINATION by MR. COVERT

Q I have just one question. My understanding of your brief is that you say that development of resource use - I think that is the phraseology you use - means more business for everybody, including the railways?

A Correct.

Q What I should like to find out is are you suggesting that the governments and the railways should proceed to develop those resources so that there will be more business and the rates kept low, or are you saying that the rates should be kept low so that the resource use will be developed?

A My emphasis is on the first point, that in fact the development of resources, and a high volume of business for the carriers, will itself help to maintain low rates.

Q Am I correct in suggesting that you believe that the railways should take a more active interest in the development of resources?

A No, rather my argument is that general government policy should be such as to facilitate resource development, and that will contribute both to the general national welfare and to the welfare of the carriers.

Q And if necessary the government should furnish money to the railways to assist in that?

A I do not want to recommend subsidies to the Commission, but, as I said in reply to Mr. Evans, I do not feel that we should rule out of account government assistance in resource development, either directly or through the railroads.

MR. COVERT: That is all.

COMMISSIONER ANGUS: Q. In suggesting that there should be large developmental expenditures by the government, you quote the white paper on employment and income. Is the suggestion not made there that those expenditures should be made if there is a certain amount

of unemployment, a certain amount of difficulty in making ordinary employment remunerative?

A Yes. The white paper refers to the immediate post-war situation, and as we all know now we rather anticipated that conditions referred to in the white paper would emerge more rapidly than they actually did, but I think it is correct that the main emphasis is on the maintenance of a high level of employment and income through government investment.

Q And the same thing in the discussion between the dominion and the provinces in the green books?

A Yes, but I have also pointed out that in the past, and apart from cyclical policy, the government has participated in long-run resource development to the general benefit of the country, and I see no reason why it should not continue to do that, although perhaps with the amount of it and the extent of it varying from time to time.

Further than that I have referred to the problem of readjustment which I think is confronting us, or which is pretty close to us now. In a situation like that I think the government should give consideration to resource development. In last night's local paper there is an article from Ottawa, "Accent on development", with the suggestion that the government is once more considering reconstituting the Department of Reconstruction and Supply in order to get public works under way.

Q Would you suggest there is a difference between developmental expenditures when there is a good deal of unused capacity in the economy, and developmental expenditures when there is very little unused capacity?

A Yes, provided that no further incentive is necessary, and we get a high level of employment and income, then it certainly is less necessary and perhaps inadvisable to engage in any large works at that time. Again having in mind the possible parallel between our conditions today and those following world war I, looking back on the period of the thirties we are impressed with the extraordinary waste of resources, human and otherwise, during that period, and under these conditions we would be much better off constructing public works of a developmental character than merely paying people relief.

Q My question was really directed to timing. One can make a very strong case for expenditures in the thirties, but not quite so strong a case for expenditures now.

A That is right.

Q If the railways need revenues now, and the expenditure is to be made as the next depression begins, what are the railways to do in the meantime?

A I take it that the railroads have to balance the ups and the downs.

Q Do you mean they have got to live on the fat until the next depression?

A Well, established policy has some rigidity of rates in there, and I do not see that the railroads can maintain rates at certain times and make larger net earnings, and then come back at another time and say, "Well, we need more revenue." These things have to be balanced out, I think. Admittedly if the railroads are in a position that they are unable to perform the services that they wish to perform, and that the community needs, because of

lack of capital, there are many ways in which that can be provided without an adjustment of rates which might persist for a very long time.

COMMISSIONER INNIS: Q. I have two short questions. I was not quite clear, following the examination of Mr. Evans, as to what you had in mind on pages 9 and 13. I do not think you need to refer to them. I can indicate to some extent my possible interpretation of your outline. Is it that you feel that the character of production in Alberta has become or is highly specialized because of its particular relation to railway rates, that is to say, distances from markets and so on, and that because it has become highly specialized therefore it is vulnerable and subject to difficulties during times of stress?

A Yes, I suggest that we have a high degree of specialization still in this area.

Q Would you agree that one of the means of overcoming the sort of vulnerability and instability which is peculiar to this high specialization, implies the development of secondary industries? You say very little about secondary industries, and I wondered how far that entered into your thinking.

A I used the case of natural gas to illustrate the problem. I pointed out that, among other conditions, the reason why we have not had the development of natural gas inthis province is the narrow market for the products that might be produced from it, but that is not wholly the distance factor.

Q I assume that you would argue that in the east its highly protected industries have grown up under

protection, and you feel that the time has arrived now when Alberta ought to be given the same protection within the protective system?

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A. Either that, or our policy with relation to the United States is such that concessions are obtained from them, referring to the case of natural gas, assuming that natural gas from Alberta were piped from the Pacific northwest to the States and Seattle; under the tariff protection which manufacturers in the States enjoy, the obvious place to put a chemical plant would be on the other side of the Canadian boundary; whereas, if that tariff were removed, it would be in Edmonton. I think it would be a wise part of government policy, if we are going to export oil and natural gas, to use that, if we are to obtain these concessions.

Q. There is only one other matter. I notice on page 17 that you quote Mr. Fairweather to the effect that the immigrant is assumed to be as productive as the average Canadian. Is that a strict interpretation of his words?

A. Yes.

Q. And this works out to $72 per immigrant, gross revenue; and the value of the immigrant - of the average Canadian - being about $14, from the standpoint of the railroad?

A. These are Mr. Fairweather's figures, and that is his general argument. I think the general substance of his argument, the essence of which I have included here, is that the immigrant was valuable to the railroads.

Q. As well as to the country, for $14 a head?

THE CHAIRMAN: Thank you, Mr. Stewart.

MR. COVERT: Mr. Chairman, I have been requested to change the agenda; and to submit that the next presentation will be that of the Alberta Forest Products

Association, which is No. 14 set down for tomorrow's agenda.

MR. SMITH: Mr. Chairman, I appear as counsel for the Alberta Forest Products Association; and just before we present our brief, I would like to say that several people have collaborated in the preparation of this brief. I had intended to call as a witness, to read the brief, a person who is intimately connected with the shipping and wholesaling of lumber, and is therefore well acquainted with the freight rates structure. Unfortunately, the gentleman in question, is today attending a meeting in Chicago, so I could not call him.to the stand. I therefore propose to put Mr. Robert W. Swanson on the witness stand to present the brief.

ROBERT W. SWANSON, called

MR. SMITH: Q. What is your name?

A. My name is Robert W. Swanson.

Q. What is your position?

A. I am the general manager of the Swanson Lumber Company, which is the largest producer of lumber in the province of Alberta.

Q. I should say, Mr. Chairman, that Mr. Swanson is engaged principally in the production end of the lumber business, and with the permission of the Commission, I propose to cross examine Mr. Swanson on features of the matter with which he is fully acquainted, that is, the production of lumber; and then, also to put on the stand, if my railway friends so desire, Mr. Howard Darling, an economist, who collaborated in the preparation of the brief, with

respect tothe technical aspects of the freight rate structure. I would not have to ask for that privilege if Mr. MacKay could have been here today.

You live in Edmonton, Mr. Swanson, and you are general manager of the Swanson Lumber Company Limited?

A. Yes.

Q. And that company operates in Alberta and in the interior of British Columbia?

A. Yes, sir.

Q. Your operations are carried on at what point?

A. We have our main operations at Chisholm, Alberta.

Q. That is on the Northern Alberta Railway?

A. Yes, and at Granta, Alberta, which is 80 miles west of Edmonton; and at "Harvick", Alberta, 120 miles west of Edmonton; and at Clearwater, British Columbia, which is 80 miles east of Kamloops.

Q. And what is the production of the Swanson Lumber Company per annum?

A. Last year our production was approximately 95,000,000 feet.

Q. 'nd divided between British Columbia and Alberta in what proportions?

A. There was about 85 per cent produced in the province of Alberta.

Q. Just in a general way could you describe briefly how your sawmilling operations are carried on, where they are in relation to the railways, and where your planing operations are carried on?

. In the province of Alberta we have three main concentration yards where we plane our lumber; and we have

a great number of small portable sawmills which feed these planing mills. We have approximately 55 small mills which are scattered throughout the woods, and which produce the lumber that keeps these planing mills going. Our distances of haul vary from about 25 miles up to 50 miles from the planing mill.

Q. Is it correct to say that transportation costs, therefore, are important elements in your production costs?

A. Yes, sir.

Q. What about timber stands in Alberta; will you describe briefly what they are and what they consist of?

A. Well, the way our stands are in Alberta, they are very heavy with western white spruce. We have a small percentage of jack pine which goes into ties, but most of our material is western white spruce.

Q. Are the stands of timber large, in most cases, or otherwise?

A. Our stands are very small.

Q. Are they scattered?

A. They are scattered, yes.

Q. And the ordinary process of manufacturing lumber in Alberta is a one-crop-per-year business?

A. Yes.

Q. What conditions cause it to be a one-crop-per-year business?

A. We have a great many muskegs in this province so we are only able to haul our lumber, and log our timber, in the months between November and the end of March.

Q. Does the fact that it is a one-crop-per-year business

entail any special hazard or risk?

A. It simply means that you have to take all your lumber out in the winter time in a short period of about four months. All your logging and sawing is done in a short period of four months; and you have to carry your inventories over. You have to produce enough in four months to keep your operations going the full year.

Q. Therefore, if there is an adverse change in the market price during the year, that will have a serious effect, you would say, with respect to your very substantial inventory dealing with logs, sawn lumber, or planed lumber on hand?

A. That is correct.

Q. Then, will you kindly proceed to read the brief of your organization?

A. Mr. Chairman and Commissioners: This brief is presented on behalf of the Alberta Forest Products Association. The membership of this Association comprises mill operators and wholesalers in all parts of the province of Alberta.

We welcome this opportunity to appear before this Commission to present our views on the subject of transportation. It is our intention in this brief to discuss,-

1. The extent and character of the lumber industry in Alberta;
2. Transportation problems of the industry;
3. The present structure of lumber rates; and
4. General view on transportation regulation.

1. THE EXTENT AND CHARACTER OF THE LUMBER INDUSTRY IN ALBERTA

While the Alberta production of lumber is but a comparatively small percentage of the total Canadian production the industry is of comparatively recent origin and is still expanding. Almost the entire lumber crop in Alberta is Western White Spruce and the greater part of the cut is made in the northern part of the province. As timber becomes cut out in Central and Western Alberta the percentage cut in Northern Alberta will increase.

The markets for Alberta lumber in recent years have been widespread, as the following table of carload shipments will indicate:

Q. Perhaps you could just pass over that table. Are American markets, eastern Canadian markets, Winnipeg,

Manitoba, and Saskatchewan markets, essential, in your opinion, to the well-being of the lumber industry in Alberta?

A. Yes.

Q. Would the prairiesabsorb all the lumber which you and the Coast could manufacture and have available for the English market?

A. No, sir.

TABLE 1

Carload Lumber Shhpments from 'lberta
Mills, January 1st to June 30th, 1948

	Mills north of Smith on N.W.Rly.	Other Mills	Total
Alberta	300	2,824	3,124
Saskatchewan	327	481	808
Manitoba	210	350	560
Port Arthur area	185	130	315
Toronto area	381	281	662
United States	905	1,713	2,618
	2,308	5,779	8,087

The local market is insufficient to absorb Alberta Production, with the result that markets in the other Prairie Provinces and in Eastern Canada are of crucial importance to the industry.

A fundamental feature of our situation is the competition we face from British Columbia lumber. Our competitors in British Columbia possess the advantage of more desirable types and grades of timber, higher yields per acre and water transportation to reach overseas markets. The volume of British Columbia lumber production so far overshadows Prairie lumber production that the price in

Prairie markets is determined largely by the situation in British Columbia lumber. In recent years there has been a large export market available, which has served to draw off the British Columbia production. At the present time the situation in export markets is uncertain but it would appear that a larger portion of British Columbia lumber must find a market in Canada in the coming years.

THE CHAIRMAN: Q. You say that in recent years there has been a large export market. You mean to the United States?

A. Yes, sir.

Q. Is there any United States customs tariff against lumber today?

A. Yes, sir. It is approximately 50¢ per thousand.

Q. Per thousand feet?

A. Per thousand feet, board measure, yes, sir.

2. TRANSPORTATION PROBLEMS OF THE INDUSTRY

We mention these characteristics of our situation in order to show the nature of our transportation needs.

These needs we may list as follows:

(1) A level of rates low enough to enable us to reach markets outside the province.

(2) carefully adjusted rate structure to provide for newly established shipping points and to preserve competitive relationships between mills.

Another feature of growing importance to our industry is the cost of moving timber to the railhead; although large areas of new timber lands have been cut in the last

twenty years there has been, during the same period, practically no extension of railway lines. The result is that each year we are tapping more inaccessible stands of timber. In many cases logs and timber must be trucked up to 50 miles to the railhead. The increase in cost which this produces makes it more imperative that our rail transport costs be kept at reasonable leavels.

3. THE PRESENT STRUCTURE OF LUMBER RATES.

We should like to bring to the Commission's attention certain aspects of the present rate structure which, in our opinion, call for revision -

(a) Comparative level of lumber rates between Eastern and Western Canada.

In the following table we show the lumber mileage rates concurrently in effect in the prairie territory and in Eastern territory.

TABLE 2.

COMPARISON OF LUMBER MILEAGE SCALES IN PRAIRIE AND ONTARIO-QUEBEC TERRITORIES.

MILES	Eastern Constructive Scale cents per cwt.	Prairie Lumber Sale. cents per cwt.
25	11	8½
50	11½	11
75	15	13
100	16	17
150	18	19
200	20	22
500	27	38
1000	43	62

The Eastern scale shown in the table is the so-called constructive scale, which applies from some 200 key shipping points in eastern territory. As these rates are also maxima from intermediate points they effectively

cover all important shipping points in Ontario and Quebec. It will be noted from the mileages shown that, while for shorter distances the prairie rates are slightly lower, for distances exceeding 100 miles the Eastern rates become progressively lower than the prairie rates until at 1000 miles the difference is 19 cents.

It is our submission that this difference in rates confers very definite advantages to the lumber trade in Eastern Canada, for which there is insufficient justification. Competitive reasons do not appear to be operative here, since the constructive mileage scale was originally adopted in 1907 and thus ante-dated motor truck competition. Today on longer hauls from a large number of Northern Ontario and Northern Quebec shipping points neither motor nor water competition is effective. We submit that it is equally important for the Alberta industry to reach Saskatchewan and Manitoba markets as it is for the Central Canadian lumber industries to reach the large cities in Southern Ontario and Quebec. Whatever justification might be urged for this situation under the present form of regulation, we submit that such differences in mileage rates in different regions of the country should not exist in the rate structure.

(b) Agreed Charges.

At the present time the Lumber Industry in Alberta makes a widespread use of rates established by Agreed Charges. We have benefited from this provision of the Transport Act of 1938 to the extent that we have received reductions in our rates. However, we would like to point out in this connection that, even taking into account the

reductions brought about by the Agreed Charges, our local rates for longer hauls within the prairies are still very much higher than those in Ontario and Quebec. We have thus not received the lower rates to which we claim to be entitled and the reductions at present granted are subject to the restrictions connected with Agreed Charges. We obtain such rates only by giving up all alternative means of transport while, at the same time, these rates may be terminated by the railways upon notice.

(c) The relationship between British
Columbia and Alberta lumber rates.

As we have already pointed out a proper relationship between these two areas is vitally important to the Alberta lumber industry in view of the very real advantages possessed by the British Columbia industry apart from freight rates. The rates of greatest interest in this connection are those to Saskatchewan and Manitoba points. The impending removal of the mountain differential next month leaves the situation in some uncertainty since at the present time we do not know how the removal of the differential will apply to lumber rates. In any event it will mean considerable lower rates from British Columbia coast and Interior points to Prairie destinations. We will therefore discuss certain disadvantages in the existing rates which will be increased if rates from British Columbia alone are reduced in the new tariffs.

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The most serious disadvantage of the present situation concerns shipping points on the northern part of the Northern Alberta Railways. Under the present system these points take straight mileage rates to all prairie points. On the other hand British Columbia Coast and Interior shipping points enjoy rates to Eastern Prairie Stations which are much lower than Prairie mileage rates. This situation is an outgrowth of an original Vancouver-Winnipeg rate which became the basis of all British Columbia rates into Prairie territory. For example the rate from Grande Prairie to Winnipeg is 75¢ per cwt. The rate from Prince George B.C. to Winnipeg for an additional distance of 72 miles is only 59¢. From Dawson Creek B.C., the terminus of the Northern Alberta Railways, the rate to Winnipeg is 75¢ although Dawson Creek and Prince George are approximately equal distant from Winnipeg. From other points on the Northern Alberta Railways similar discrepancy in the rates could be shown.

Our Organization would like to see a lumber rate structure in Western Canada thoroughly co-ordinated upon a single basis. As we have just indicated, the conflict between the present Prairie basis and the British Columbia basis creates handicaps to many Northern Alberta points. It is our contention that points on the Northern Alberta Railways should have rates to Winnipeg and other Eastern Prairie points at least equal to those from equi distant British Columbia points.

We realize that this Commission is not

concerned with technical rate problems. However, the principles which should govern the disposition of such problems are clearly within its terms of reference. The principle of greatest relevance to our situation is that of the equality of rates as between different regions of the country. We submit that the present differences between Eastern and Western lumber rates is unreasonable. We would further submit that the Western lumber rate structure should be consolidated on a single basis which would preserve the geographical advantages of all points and preserve fair competitive relationships.

4. GENERAL VIEW ON TRANSPORTATION REGULATION

In clause 2 (b) of its Terms of Reference the Commission was empowered to review The Railway Act with respect to various rate matters. We have no detailed recommendations to make under this heading but would like to make a general observation on the type of transport regulation which would be most satisfactory to us. In our industry freight rates, while important, are only one of many pressing concerns with which we have to deal. Few of us have the time or interest to become experts in freight rate matters. In general, a knowledge of our own particular rates suffices. Under these circumstances -- and we believe the same could be said for many other industries -- we depend more or less on the regulatory authority to ensure the protection of our legitimate interests. If we have any complaint with existing conditions it is that rate situations clearly contrary to the Act and the Board's previous decisions have frequently been allowed to stand awaiting

the formal complaint for their removal. We recognize that it is the shipper's responsibility to initiate proceedings on all controversial rate questions. However, where situations arise which are obviously contrary to existing legislation and regulations they should not have to await formal objections before being amended or removed.

In this connection the contention of the Canadian Pacific Railway, in paragraph 38 of its outlined submission to this Commission that the Railways should be afforded greater flexibility and freedom in making rates, calls for brief comment. In view of the fact that in the lumber rate structure in Alberta there has been existing for many years the unfavourable situation on the Northern Alberta Railways previously outlined and also examples of long and short-haul violations, it may be questioned whether greater freedom in rate making should be permitted. This might be possible had the Railways shown a greater interest in policing their own rates up to the present time. We submit that many adjustments in rates are of such a nature that they should be made immediately the Board or the R ilways themselves become aware of them. It should not be necessary for shippers to lodge formal complaint in these cases. The achievement of this objective does not necessarily call for more stringent regulations but merely a more active attention in bringing details of the present structure in line with existing regulations.

CONCLUSION

In this brief we have sought to outline the present conditions in the lumber industry in Alberta,

in relation to freight rates. In recent years the demand for lumber has been heavy, both in the export market and in the domestic market. There are indications now that this situation cannot much longer continue -- the Overseas market has largely disappeared and demand in the American market has slackened sharply. Under these conditions the economic welfare of the lumber industry in Alberta is threatened. To ensure that the Alberta industry is able to participate to its fair share in its natural markets, a fair and reasonable level of lumber rates is essential. With growing difficulties in the marketing of lumber such disadvantages as now exist in the rate structure will assume more serious proportions.

The Alberta lumber industry is, therefore, vitally interested in the results of the deliberations of this Commission. We are hopeful that this Commission will recommend such changes as are required to provide our industry with a fair and reasonable rate structure.

Dated at Edmonton, Alberta, this 11th day of June, 1949.

Presented on behalf of,-

ALBERTA FOREST PRODUCTS ASSOCIATION.

SUMMARY OF BRIEF OF ALBERTA FOREST PRODUCTS ASSOCIATION TO ROYAL COMMISSION ON TRANSPORTATION

1. THE EXTENT AND CHARACTER OF THE LUMBER INDUSTRY IN ALBERTA

The Industry which produces principally white spruce operates mainly in Northern Alberta and sells its products in the Western Provinces (except B.C.) Ontario and the U. S. Its product is in competition with B. C. lumber which because of decrease in exports must now find market in Canada.

2. TRANSPORTATION PROBLEMS OF THE INDUSTRY

The Industry, which cuts miles from Railways in most cases, requires:

(a) A level of rates low enough to enable it to reach markets outside the Province;

(b) A carefully adjusted rate structure to enable it to provide for new shipping points and to preserve competitive relationships between mills.

3. THE PRESENT STRUCTURE OF LUMBER RATES

(a) For distances exceeding 100 miles Eastern rates become progressively lower than Prairie rates;

(b) Even under Agreed Charges local rates for longer hauls are higher than Ontario and Quebec rates;

(c) Straight mileage rates from Northern Alberta Railways points exceed B. C. Coast and interior rates to Eastern Prairie stations for equal distances.

4. GENERAL VIEW OF TRANSPORTATION REGULATION

The Association suggests that where situations arise which are obviously contrary to legislation and regulations they should not have to await formal objections before being amended or removed.

CONCLUSION

Because of loss of overseas market and decrease in U.S. market economic welfare of Alberta Industry is threatened by existing freight rate structure and the Industry needs a fair and reasonable level of lumber rates to enable it to participate to its fair share in its natural markets.

ALBERTA FOREST PRODUCTS ASSOCIATION

MR. SMITH: I have no further questions, sir.

CROSS-EXAMINED BY MR. SINCLAIR

Q. I have just two questions, I think. On pages 5 and 6, Mr. Swanson, you deal with rates from Alberta points to Saskatchewan and Manitoba, and you say that these are the rates that are of the greatest interest to your industry, and you make certain comparisons. Now, you say:

"The most serious disadvantage of the present situation concerns shipping points on the northern part of the Northern Alberta Railways."

A. Yes.

Q. You state that there is a single line rate from N.A.R. points to these destinations, but do you know -- I know you won't know this, but I am sure you will feel much better when you know I am able to tell you that the British Columbia rates will be put on the

prairie maieage scale as a result of the removal of the mountain differential, so your disability therefore as against B.C. points will no longer be in existence.

THE CHAIRMAN: Do you mean that the British Columbia rate goes up?

MR. SINCLAIR: Yes, in some cases; as a result of the removal of the mountain differential the prairie scale will be applied to shipping points in British Columbia. Now, the result of that would be, in the examples that he gives, to overcome his difficulties. In certain cases the B.C. rates will go up, in other cases the B.C. rates will go down.

MR. SMITH: If I might just interrupt my friend Mr. Sinclair for one moment, I am going to suggest to the Commission that the situation is far from clear with respect to the removal of the mountain differential so far as the lumber rate is concerned. The matter was argued at some little length before the Board of Transport Commissioners, and the position we took then was that the lumber rate from Ontario or British Columbia did not contain the mountain differential, but the Board of Transport Commissioners did not deal with our argument at all, and the judgment of the Board of Transport Commissioners directs the removal of the mountain differential from those rates in which the mountain differential is included, without defining what rates the mountain differential is included in; and there are no new tariffs published yet, and these questions are largely indeterminate at the present time, it appears to me, sir, with all respect to my friend, so that I

do not know how any positive statement can be made at this time.

MR. SINCLAIR: Well, sir, the only thing I can say to that ---

THE CHAIRMAN: When will it become apparent beyond doubt?

MR. SINCLAIR: The railways propose that they would become effective August 1st next. The only thing I can do is to make the statement. I thought I was being helpful; I thought they would be glad to hear that.

Q. On page 8, Mr. Swanson, you make the suggestion that it should not be necessary for shippers to lodge formal complaint in the policing of rates. I suggest to you that it would be impossible for any board to deal with the multitude of rates except on complaint. Now, can you suggest any real hardship that has been entailed on your organization through having to bring to the attention of the Board any complaint that you have had?

A. No, I am not aware of any real hardship myself, because, as my counsel advised, I am not very familiar with this situation.

MR. SMITH: Mr. Darling is available on that feature of the matter, if you would like to question him, Mr. Sinclair.

MR. SINCLAIR: Well, I will accept the statement that he is not aware of any hardship, and he is the head of the organization.

MR. SMITH: No, Mr. Swanson is not the head of the organization; no one has said he is, and he is not --

Q. Or are you, Mr. Swanson?

A. Of the Forest Products Association?

Q. Are you the head of the Forest Products Association?

A. No.

MR. SINCLAIR: Merely the largest producer of timber in the Association.

THE WITNESS: Yes, that is correct.

MR. SINCLAIR: About 85 or 90 per cent.

MR. SMITH: I have already pointed out to the Commission, Mr. Sinclair, that Mr. Swanson is not engaged in the shipping or the marketing end of the business, he is engaged in the producing end of it, so that when he says he has no knowledge of complaints, it has been stated that the Association is unsatisfied with the matter you have just been discussing, and my instructions are to maintain that position of the Association.

THE CHAIRMAN: If we have what might be called an expert witness here available, Mr. Sinclair, is there any reason for going on further with this gentleman?

MR. SINCLAIR: No.

THE CHAIRMAN: Better produce the otherwitness, then.

MR. SMITH: Yes.

THE CHAIRMAN: Thank you, Mr. Swanson.

(The witness retired).

MR. SINCLAIR: Do you want your witness to come up, Mr. Frawley

MR. FRAWLEY: Don't worry about me, Mr. Sinclair.

MR. SINCLAIR: I thought you told him to go and sit down. I am quite satisfied at the present, that the largest industry is unaware of any hardship, and I have no further questions -- the largest operator in the lumber industry.

MR. SMITH: I should like to make it quite plain to the Commission that the witness -- in fact, two witnesses who are engaged principally in the wholesaling and the shipping end of the lumber are both in Chicago at a meeting of lumbermen, and I am not able to put them on the stand, because they are in Chicago.

THE CHAIRMAN: Yes; but I understood you had somebody who could answer these questions.

MR. SMITH: If my friends want him, he is available; if they don't want him, I am quite satisfied.

THE CHAIRMAN: What about it? Are there any questions arising out of the brief to be put to somebody else?

MR. O'DONNELL: I might just ask Mr. Swanson a question, my lord. I might say, however, that I thought this brief was coming on tomorrow, and did not have the opportunity of going over it before.

MR. SMITH: Well, Mr. Swanson, would you mind going up for Mr. O'Donnell?

ROBERT SWANSON, recalled

CROSS-EXAMINED BY MR. O'DONNELL

Q. Mr. Swanson, on page 1 of your brief you say that the Alberta Forest Products industry, I take it, is of comparatively recent origin; about when did it originate?

A. Do you mean production of lumber within this province?

Q. Yes; Canadian production in the industry is of comparatively recent origin -- that is your industry, I take it?

A. Well, there has been a little production back possibly for years.

Q. Yes, but I mean, what do you mean by what you say here, "comparatively recent origin"? Is it your industry here in Alberta you are speaking of there?

MR. COVERT: Mr. O'Donnell, perhaps you mih might tell him where it is.

MR. O'DONNELL: Page 1.

MR. SMITH: I think I can give you the explanation, Mr. O'Donnell, because I am pretty familiar with the lumber industry in a general way. The production has not been very substantial until recent years. It has amounted to several hundred millions of feet during the past ten years. It has increased very substantially; that is what is meant.

MR. O'DONNELL: That is all right, then.

Q. Would that be about it, Mr. Swanson?

A. Yes, sir.

Q. That the origin goes back about ten years?

A. Yes, of substantial productions.

Q. And you say that during the last ten years it has expanded?

A. Yes, sir.

Q. I suggest to you that possibly that has been due to the high demand for lumber which prevailed during the war period?

A. Yes.

Q. And for several years since the war, possibly?

A. Yes, that is correct.

Q. And I take it you indicate that that demand has dropped off somewhat?

A. Yes.

Q. Recently?

A. That is correct.

Q. And I put it to you that your industry really is endeavouring to get in on what had been previously a territory of the British Columbia forest industry to a certain extent; you are endeavouring to share the market which they previously enjoyed?

A. We are endeavouring to maintain some of the markets that we had years ago. Our production was not as large years ago as it is now, but we were producing some lumber in this province.

Q. But it has developed in the last ten years; that is what you told me originally?

A. Yes, the large production has. There has been some production throughout the years, though.

Q. Oh, yes, I agree with you there, but the large production that you speak of has developed during the last ten years?

A. That is correct.

Q. And I suggested to you that that was as a result of war conditions, and you agreed?

A. That is right.

MR. SMITH: If you are suggesting that because the production has increased during the last ten years,

Mr. O Donnell, therefore the Alberta industry is now endeavouring to get the market of British Columbia, I challenge your statement, and I suggest quite the contrary. They are endeavouring to hold the market that they consider is legitimately theirs.

MR. O'DONNELL: Q. All I am suggesting is, you got a piece of the market during the war and you are endeavouring to hold on to it, and I don't blame you for that.

A. Of course, the British Columbia market has expanded very considerably for the last ten years.

THE CHAIRMAN: Is it worth while going into that?

MR. O'DONNELL: No, I did not intend to go any further than that, my lord.

Q. Your rates are such, apparently, that you can get a considerable distance out of Alberta; as you have set out on page 2, you have been able to get into the United States roughly a quarter, or more than a quarter, of your shipments?

A. That is correct, yes.

Q. And you have been able also, apparently, to get down as far as Toronto?

A. That is right.

Q. And this lumber that you have -- spruce and jackpine -- there is a lot of that in the east, is there not?

A. Yes, there is.

Q. And do you suggest that your operation in the matter of getting it out is any different from what it is in the east, in the logging and sawing?

A. Do you mean the physical --

Q. Yes, physical handling?

A. Yes, we operate somewhat differently here than they do in the east.

Q. Well, in what regard? Do you saw the lumber?

A. Well, our methods of logging are different. We use more tractors; we are beginning to use more tractors in this province than they do in the east.

Q. Well, they do that in the east, too, do they not?

A. I guess in some cases, but not to such a great extent.

Q. On page 3 you say:

"Each year we are tapping more inaccessible stands of timber."

That is not uncommon, is it, in the industry? Everyone has to follow that procedure;as the more available timber is used up you move further inland?

A. That is a natural situation, yes.

Q. These agreed charges you speak of on page 5, you point out there that through having made those you have given up all alternative means of transport; you are no different in that respect from anyone who makes an agreed charge?

A. I think you are right, yes.

Q. And, secondly, you say that the rates may be terminated by the railways upon notice; they may likewise be terminated by you upon notice; it is a two-party agreement, and works both ways, doesn't it?

A. I suppose.

(Page 2057 follows)

Q Each party may give notice. Then you also say:

"Our local rates for longer hauls within the Prairies are still very much higher than those in Ontario and Quebec."

You refer there to the water competition that prevails in the east?

A No, we are not referring to that. This is all quite new to me, but we refer to the eastern constructive scale as compared to the Prairie scale.

Q Are not the rates in the east, in Ontario and Quebec, water compelled? Is that not what you refer to?

MR. SMITH: I stated in opening that Mr. Swanson did not pretend to be an expert on this type of question, and we have an expert here.

MR. O'DONNELL: That is quite all right.

Q At the bottom of page 5 you say:

"In any event it will mean considerably lower rates from British Columbia coast and interior points to Prairie destination."

That would benefit the Prairie consumer, would it not?

A No, it would not.

Q The Alberta producer?

A I do not think it would benefit the consumer.

Q If he gets a lower rate from British Columbia on his lumber?

SA All lumber is sold on a delivered price basis, and I think it would benefit the shipper in British Columbia.

Q Well, to the ultimate benefit of the consumer who is paying for it?

A Not necessarily.

Q On page 6 you refer to certain rates. Were the rates in Alberta not a matter of negotiation some years ago between the railways and the prairie provinces' lumbermen?

A I don't know.

Q Eight or ten years ago?

A I really don't know .

Q To your knowledge is there any movement of eastern lumber to western Canada?

A There is not of this specie of lumber that is produced here, but there are a lot of other species of lumber that come in.

Q I am speaking of that species to which you refer. There is no movement of that to western Canada?

A Not as far as I know.

Q And how then does the situation applicable in eastern Canada locally have any direct bearing on the situation here in western Canada with respect to that same lumber?

A I do not quite get your question on that.

Q I say if there is no movement of this eastern jack pine and spruce from eastern Canada to western Canada how does the rate basis which is applicable locally in eastern Canada have any bearing on the situation in western Canada?

THE CHAIRMAN: He says that comparatively the rates are higher here than they are in eastern Canada.

MR. O'DONNELL: There is no movement from the east to the west.

MR. SMITH: We are not complaining about that.

We are complaining about the fact we cannot move east or have difficulty in doing so.

COMMISSIONER INNIS: Q. Can you say how large your mill is, what capacity?

A The size?

Q Yes.

A One of our planing mills has a capacity of about 35,000,000 a year, another about 27,000,000 and another about 15,000,000.

Q How does that compare with eastern mills?

A I would think that the planing mills are just about the same size, but our sawmills are much smaller. We have them producing from 10,000 per day up to about 30,000 per day.

Q They are very much smaller than the Pacific coast?

A Yes, indeed. We have three planing mills in this province fed by about fifty small portable mills.

MR. COVERT: The next submission, Mr. Chairman and Commissioners, is No. 4, C. W. Carry Limited. We are omitting No. 3 at present because Mr. Latta is not here.

THE CHAIRMAN: What becomes of No. 3?

MR. COVERT: Mr. Latta is not here, and that is put at the foot of the docket.

THE CHAIRMAN: Now we come to No. 4.

MR. COVERT: No. 4, C. W. Carry Limited.

C. W. CARRY, Called

THE CHAIRMAN: Who is presenting the submission of C. W. Carry Limited? Who is acting?

MR. NOLAN: I am, Mr. Chairman. This is one of

the several businessmen of whom I made mention when the Commission was sitting in Calgary.

Q Mr. Carry, what is your full name?

A Charles William Carry.

Q What is the nature of the business you carry on in Edmonton?

A The fabrication of structural steel for buildings, reinforcing steel for the same purpose, and what is called miscellaneous iron in the steel business, again applicable to buildings.

Q What is your firm name?

A C. W. Carry Limited.

Q You are the Manager?

A Right.

Q What is the area of your distribution?

A On the south to Red Deer, on a line drawn east and west through Red Deer, and on the north as far as you like to go; on the west to what is commonly called the coal branch.

Q In Alberta?

A Yes. On the east occasionally to Saskatoon, very rarely, generally to Lloydminster.

Q So for the most part it is an Alberta business?

A Yes, sir.

Q Mr. Carry, you have prepared a brief for the consideration of the Commission dealing with one or two of the problems under which your business is suffering. Would you be good enough to read the brief to the Commission?

A Yes, sir.

TO: <u>THE ROYAL COMMISSION ON TRANSPORTATION</u>

SUBMISSION BY: <u>C. W. CARRY LTD</u>

Mr. Chairman and Commissioners: We welcome this opportunity to come before you. In presenting the story of how the freight rate structure affects our business, we are not requesting adjustment of the rates to alleviate our situation, but are merely adding our part to fill out the complete story of Alberta's disadvantages resulting from the present structure. We hope that the Commission will recommend a complete revision of the freight rate structure in Canada which will remove all unreasonable disadvantages.

My company, C. W. Carry Ltd., is engaged in the business of bringing to Edmonton certain types of structural and commercial steel, fabricating this raw material into useable forms for the particular use to which it is to be put and distributing the finished product throughout northern Alberta.

One of our main sources of supply for this raw material is Ontario. On steel brought in from that province, we must pay a higher rate than Vancouver, although we are approximately 750 miles closer to the shipping point.

Our rate on structural steel from Sault Ste. Marie, Ontario, to Edmonton is a 6th class rate of $2.17, while the same product travels right past our doors into Vancouver for $1.74 per cwt. (C.F.A. 1-H, Supp. 78).

It is true that the minimum carload weight to Vancouver is 50,000 lbs., while the minimum to Edmonton is only 36,000 lbs. However, we would be quite willing to have our minimum increased to the same weight as Vancouver's in return for the same consideration as they receive on rates.

It has been said many times before that Edmonton stands at the apex of the freight rate structure of western Canada. We feel it is no less true because of this repetition. The Alberta consumer must pay long hauls on the goods he produces and must similarly pay long hauls on the goods he uses. We do not ask that our geographical disadvantages be removed by artificial means such as freight rates, but only ask that the geographical advantages which we should enjoy, be not removed by such artificial means.

Gentlemen, we submit that in no case should the shorter haul be charged more than the longer haul over the same route.

THE CHAIRMAN: Does anybody wish to question Mr. Carry?

CROSS-EXAMINATION by MR. O'DONNELL

Q The rates which you set out there are in the one instance a commodity rate and in the other a transcontinental rate?

A Yes.

Q You are comparing the effect of the commodity rate with the transcontinental rate?

A Yes.

Q On the basis of that transcontinental rate I take it that your Vancouver competitor cannot back haul into Alberta on a basis which would permit him to compete with you here at Edmonton?

A That is not so. He can and does.

Q He can and does. My information may not be quite correct then. Not on the freight rate alone surely?

A I would not go so far as to say that alone, but the fact does remain that he can and does compete.

Q Well, it occurs to me that there would have to be something more than the rate involved inorder to permit him to compete with you?

A I can only give this example. One of the leading people engaged in the distribution of steel, whose head offices are in Vancouver, maintains a salesman in Alberta whose business it is to solicit business from people with whom we also do business. This chap can and does obtain business competitively. There is no criticism attached to that except the fact that it does remain that he gets it. We buy from the same mills under the same conditions and on the same prices.

Q Would the profit aspect have anything to do with it? Do you sell on the same basis?

A I would not see any serious consideration in the profit aspect. The profit aspect is the only thing you have left to make up the difference between selling and purchasing.

Q Would you have any objection to mentioning the name of the competitor?

A McLennan, McFeeley and Prior Limited.

Q If the Vancouver rate were raised to your rate it would cure the problem, would it?

A It would change the situation in that respect. This is not a criticism. It is simply a matter of a statement of fact.

MR. O'DONNELL: Thank you.

CROSS-EXAMINATION by MR. SINCLAIR

Q You recognize, Mr. Carry, do you, that the reason for the lower rate from the east to Vancouver is based on competition, or potential competition, via the Panama Canal?

A Yes, sir.

Q And you realize that if the railways did not carry the business the steamship companies would, and the railways would lose revenue?

A That is right.

THE CHAIRMAN: Is that actually true today?

MR. SINCLAIR: I want to put on the record that there was a ship left Montreal on May 4, 1949 carrying cast iron pipe, bird seed and gravel, ink, antifreeze, crepe paper and confetti, metal furnishings, printing ink, cast iron stoves, feathers, Christmas tree lights, extracts, miscellaneous sports equipment, automobiles, binder twine, toilet paper, bars and rods, aluminum foil, pike poles and handles, roofing paper and carbide, from such origins as Toronto, Leaside, Hamilton, Oshawa, Hull, Sydney, Cap de la Madelaine, Grande Piles, Portneuf and Shawinigan Falls destined to Vancouver.

MR. FRAWLEY: What is the name of the ship?

MR. SINCLAIR: The shipping line?

MR. FRAWLEY: The shipping line and the ship.

MR. SINCLAIR: It is the Monsen-Clarke line, and the name of the ship -- that was only a partial list of its contents that I gave -- was the S.S. Eskdalegate. I am advised that this shipping company has advised the shipping public that they will have a further sailing in the latter part of July.

MR. FRAWLEY: The only thing I would ask my friend to do - and I am sure he will be glad to do it - is to let us have, by reading it into the record or filing a table, the consist to the extent that you have the information.

MR. SINCLAIR: That is all I have as to the consist. It was all I was able to get.

MR. FRAWLEY: You have read into the record all the information you have with respect to the consist, but you know there were others?

MR. SINCLAIR: I have some confidential information as to shippers.

MR. FRAWLEY: No, apart from shippers, as to commodities .

THE CHAIRMAN: How many ships are there?

Mr. SINCLAIR: There was one ship. That was a partial consist of one ship that went out of Montreal on May 4.

THE CHAIRMAN: And the second sailing is to be by the same ship?

MR. SINCLAIR: The same shipping company.

THE CHAIRMAN: And the same ship?

MR. SINCLAIR: I could not say as to that.

MR. O'DONNELL: I think there are several ships.

MR. SINCLAIR: The same shipping company has advised the shipping public that they anticipate another movement in the latter part of July.

COMMISSIONER INNIS: Is this the same ship you referred to in Regina?

MR. SINCLAIR: To which Mr. O'Donnell referred,

and there was some question as to whether it actually had or had not sailed. I thought this was a convenient time to put on the record some of the actual cargo on it, as far as I was able to ascertain it, and also the shipping company, which advises that there is another ship destined to sail at the end of July.

MR. FRAWLEY: Just so that we will understand this, perhaps Mr. Sinclair would now give the Commission all the information he has. I should like Mr. Sinclair to put on the record the total consist in so far as he knows it. You have done that?

MR. SINCLAIR: I have.

THE CHAIRMAN: You say total what?

MR. FRAWLEY: Total consist, the total contents of that cargo.

THE CHAIRMAN: And the weight?

MR. FRAWLEY: I do not mind so much about that, but I want the total list of commodities of all kinds, in other words, just as much information as Mr. Sinclair has. We are vitally interested in the matter, and we think that any information that the railways have should be put on the record.

MR. SINCLAIR: I can give you some tonnages, but I do not see how that would matter. It is only a partial list of the commodities, but that was all I could get. I think the fact is that competition does exist. The potentiality of it is there all the time, and that is the issue between us.

MR. FRAWLEY: That is the issue, and I think my friend would be glad - and I am sure he will, to give

the Commission all the information he has for the public record of the Commission.

MR. O'DONNELL: All you have got to do is look at the Montreal Gazette and see it there every day.

THE CHAIRMAN: It is in Mr. Sinclair's own interests to do so.

MR. SINCLAIR: I have put what I have on the record.

MR. FRAWLEY: Of course it is in his interest.

MR. NOLAN: I was going to ask my learned friend a question, if I may. I understand that the last ship sailed on the 4th of May of this year. Perhaps he would be good enough to tell us when the last but one sailed.

MR. SINCLAIR: I think if my learned friend, Mr. Nolan will read the record at Regina - and I am sure he has - he would not put that question to me. He would have found that the other sailing was cancelled. The sailing that was for June was cancelled.

MR. NOLAN: There must have been some ship sailed before the one on the 4th of May of this year. I was only interested in when that sailing took place.

MR. SINCLAIR: I have no information about that. It is true that the competition was not present during the war years when the rates were governed by the Wartime Prices and Trade Board. It gets us into a long story which I think the Commission knows.

MR. NOLAN: Our information is that no ship has sailed for eight years.

MR. SHEPARD: Before that question is left, and while Mr. Sinclair is still on the witness stand, I would

interested in knowing the total tonnage of that ship. I think that is quite a relevant point when we are determining just to what extent there is water competition.

MR. SINCLAIR: The gross tonnage of the ship?

MR. SHEPARD: The tonnage carried.

MR. SINCLAIR: I would have to call on the shipping company to give me that, and they will not tell me all their business. I got what information I could as to the commodities.

THE CHAIRMAN: When the ship arrives in Vancouver it will report its arrival.

MR. O'DONNELL: Mr. Frawley's agents can easily get that in Vancouver.

MR. FRAWLEY: I think we will, but I think the Panama Canal has a record of it. They keep such records.

MR. O'DONNELL: We are not interested in it other than the fact that a ship has sailed.

MR. EVANS: If I may suggest --

MR. COVERT: To save time, may I submit that there must be better ways of getting the information if we desire it than this long argument between counsel.

MR. SINCLAIR: I was merely trying to answer the question.

MR. O'DONNELL: Commission counsel might get it and then we will all have it.

Page 2070 follows

MR. SINCLAIR: Q. Now, if I may return, Mr. Carry. I seem to have taken your place for a while. You point out that your rate on structural steel from Sault Ste. Marie to Edmonton is the sixth class rate and that it is 2.17; that is based on a 36,000 pound minimum?

A. Yes, sir.

Q. Now, you have a commodity rate, based on a 60,000 pound minimum, which is lower?

A. Yes. We use that too.

Q. And you also have a combination lake and rail rate, which is lower still; which is 1.97 on a 60,000 pound minimum?

A. It is no longer available; and the railway is already instituting a rate which will replace that lake and rail rate which had been previously enjoyed. I won't swear to that, but that is my understanding of the situation.

Q. My understanding was that there was a combination lake and rail rate from the Sault to Edmonton, and that there was also a commodity rate of $2.08 cents?

A. Theoretically there is, but if there is not a boat it is a case of: You will wear a silk hat if you have a silk hat.

CROSS EXAMINATION BY MR. O'DONNELL

MR. O'DONNELL: Q. Was not the commodity rate from Vancouver to Edmonton the rate which prevailed on the date you wrote this brief? 1.02?

A. Yes, at the present time.

Q. So, the 1.02 rate, plus the rate to Vancouver, makes 2.76?

A. Yes, sir.

Q. Whereas, your rate is 2.17?

A. On the present story, that is roughly it.

Q. I am talking about what you have in your brief. That is why I suggested to you that the Vancouver man could not compete with you in Edmonton, freight-rate-wise. He can't get in here to compete with you?

A. What you say may be true beyond question; but the fact remains that, in the last few years, this was the natural course of development, this business, of which we are speaking now, is a matter of 3½ years, when previously, up to that time, there was not any such business here. And now we are coming into recognition, if you like, within the trade in this area. This brief is simply a matter of drawing to the attention of the Commissioners that such a thing does exist; and we trust that, sooner or later, recognition will be given to the case. We are very vulnerable in the sense that when we move west a very short distance, in shipping our goods, we have the competition from Vancouver; and when we move east a very short distance, we have the competition from Winnipeg. So we would draw attention to the fact that such a situation exists, and that manufacturing is gradually coming into existence in Edmonton, and if it be possible to recognize that situation, we would like, if we can, to protect and preserve our position, so that Edmonton may have what geographic advantage it has, by way of freight rates, in respect to those other established and existing manufacturing and shipping points. That is all. We are not criticizing the situation at all. We simply say that the situation exists.

Q. You have a 59 cent advantage over Vancouver, over the Vancouver man, as it stands at the present time?

A. On freight rates, yes.

Q. So I could not understand why you would say that the Vancouver man could compete with you; and I was speaking only of freight rates at the time. He must be giving away something that you are not giving away?

A. Oh, to be sure; he gives lots of things away.

COMMISSIONER INNIS: Q. In the second paragraph you say:

> "We hope that the Commission will recommend a complete revision of the freight rate structure in Canada which will remove all unreasonable disadvantages."

The Commission has had before it two points of view, one, favorable to the complete revision, and the other, very much opposing a complete revision because it would involve too many anomalies and too great shock. You come in between them, or, what is your position?

A. I would say that our situation with respect to revision is, speaking personally, - that is my own feeling - that a revision, in respect of justification to the railways and to anybody else, is,possibly the most desirable thing. But, as a business man, I do not think the railway can exist without the necessary or adequate funds.

Q. I was raising the question as to how that revision should be made; and if it should be a complete revision, that would undoubtedly mean a disturbance to the industry and to the railways, and so on. Do you mean that such a revision should take place in a very gradual way?

A. I mean that. I do not mean an upheaval which would throw out the present setup. I do not think it would be possible to start off. This is a general preamble in the first paragraph.

MR. COVERT: Q. Mr. Carry, in the second last paragraph on page 1, should not that 50,000 pounds read 60,000 pounds?

A. You may be right. I am not too certain. We can check that quickly enough.

Q. I would like to have it correct. I understand it should be 60,000 pounds.

A. It is something which I have not checked closely. You may be right. I shall look into it.

THE CHAIRMAN: Very well, thank you, Mr. Carry.

MR. COVERT: Mr. Chairman, the next submission is that of the Great Western Garment Company Limited.

MR. NOLAN: I call Mr. Roscoe.

R. W. ROSCOE, called

MR. NOLAN: Q. What is your full name, Mr. Roscoe?

A. Roger William Roscoe.

Q. And you are connected with The Great Western Garment Company Limited?

A. That is right.

Q. And what is your position in that company?

A. Secretary-treasurer.

Q. What is the nature of the business carried on by The Great Western Garment Company Limited?

A. The manufacture of work clothing.

Q. And within what area do you distribute?

A. The most of Canada.

Q. How long has this company been in business?

A. Some 36 to 37 years.

Q. Has it any branches?

A. No.

Q. The head office and only office is here?

A The head office and plants are in Edmonton.

Q. You have prepared for the consideration of the Commission a brief on some of the problems which confront your business?

A. Yes.

Q. Will you be good enough to read it to the Commission

A. Mr. Chairman and Commissioners: We welcome this opportunity to come before you. Speaking on behalf of the Great Western Garment Company Limited, I appreciate this opportunity to present to this Royal Commission on Transportation the way in which the freight rate structure, as it now stands, affects our business. We feel that adjustments to the structure in a piecemeal fashion in the past have been one of the causes of the discrimination which now exists against Alberta on many freight rates. In presenting our story at this time we are not asking for redress of our particular grievance but merely wish to add our part to the total picture in the hope that a complete revision of the freight rate structure will result and our disadvantages will then be necessarily removed.

We might say here that we make no pretense to a knowledge of railroading and therefore are in no

position to approach this case from a technical standpoint. We do, however, know something about the manufacturing business and we feel our information may be of use to you.

Our Company is engaged in the business of manufacturing and distributing general articles of clothing throughout Western Canada. For the most part, our products are not dress clothes, but rather articles worn by people engaged in outdoor activities; farmers, lumbermen, miners and so forth.

Approximately eighty per cent (by weight) of our raw materials are cotton piece goods. The major portion of these we obtain from Eastern Canada. The rate on this material from Montreal to Edmonton is $2.82. The rate on this same merchandise to Vancouver is $2.44. That is, the railways will haul these cotton piece goods approximately 750 miles further for 38 cents less.

It is true that the minimum carload rating to Vancouver is 30,000 lbs. compared with a 24,000 lbs. minimum to Edmonton. This difference is of little consequence. We would be quite willing to accept a 30,000 lb. minimum if our rates were in line with those to Vancouver.

We said previously that these cotton piece goods compose around 80 per cent of our raw materials by weight. It is obvious that this is a large element of our cost. A reduced transportation charge to us would mean a reduction in our costs and hence a lower selling price.

The Alberta consumer, as is well known, must pay the freight charges from the East on most of his necessities as well as the freight charges outbound on

most of the goods he produces. Why should he not be entitled to a lower freight charge on his work clothes; a charge in line with what the West coast consumer pays

We can only draw two conclusions from the variance of rates between Alberta and British Columbia coast points. Either the railways are losing money on their transcontinental hauls and Alberta is reimbursing them for this loss in the form of a higher tariff; or the railways are making a profit on the transcontinental hauls and an even greater profit on the hauls from the East to Alberta. It is of no consequence which is the fact; one is wrong as the other. We submit that in no case should the shorter haul be charged more than the longer haul over the same route.

Gentlemen, thank you.

Q. Have you anything you would like to add to that?

A. I do not think so. Thank you.

THE CHAIRMAN: Are there any questions.

CROSS-EXAMINATION BY MR. O'DONNELL

Q. Mr. Roscoe, the Vancouver distributor, under the present rate set-up, cannot, from the

freight rate point of view only, back-haul merchandise from Vancouver to Edmonton and compete with you?

A. We still have to compete with him in the Vancouver market.

Q. I am speaking of the Edmonton market. He cannot get back into the Edmonton market and compete with you?

A. Offhand, I could not say.

Q. You do not know the rate?

A. I do not know the rate.

Q. Did you say you are shipping all over Canada and competing with competition anywhere in Canada?

A. I did not say that. I said we shipped all over Canada. We compete, to a certain extent. We have a basis for selling in the various provinces.

Q. But I am just taking what you say. You say;

> "Our company is engaged in the business of manufacturing and distributing general articles of clothing throughout western Canada."

A. Yes, we are competing.

Q. So, the rate structure, as it stands, permits you to do that?

A. Nevertheless, with a reduction in the rate structure, it would eventually benefit the end user.

Q. Yes. I point it out to you.

COMMISSIONER INNIS: Q. You have the same conditions as did the last witness who was on the stand. When you talk about a complete revision, you are not thinking of something revolutionary in character, but rather you are thinking of something which must be gradually produced?

A. As I understand it now, we have a rate structure which has been made up of patches, built on to and built on to. Perhaps it is now time that we started with a new pattern.

Q. Have you considered the implications?

A. Yes. Immediate revision of everything in it, I admit, would be very difficult.

THE CHAIRMAN: Is that all, Mr. Covert?

MR. COVERT: Mr. Chairman, the next brief is just one page in length; and on the basis of time, I think perhaps we could finish it. It is No. 6 on the agenda for today, the submission of Blowey-Henry Limited.

MR. NOLAN: I call Mr. C. V. Cairns.

C. V. CAIRNS, called

MR. NOLAN: Q. What is your full name?

A. Charles V. Cairns.

Q. And you are manager of Blowey-Henry Limited?

A. That is right, sir.

Q. What is the nature of the business of your company?

A. We are wholesalers.

Q. Wholesalers of what?

A. Of furniture, general house furnishings, and linoleum.

Q. Where is your distributing area?

A. Principally in northern Alberta.

Q. And your business is a long-established one?

A. Some 40 to 50 years.

Q. In the city of Edmonton?

A. Yes.

Q. And it was one of the first businesses to be established here? A. That is right.

Q. Would you kindly read your brief?

SUBMISSION BY THE BLOWEY- HENRY LIMITED:

A. . Mr. Chairman and Commissioners:

Our Company, Blowey-Henry Limited, appreciates this opportunity to come before this Royal Commission on Transportation to present the story of how the present freight rate structure affects our business.

I will not pretend to be an expert on freight rates let alone transportation in all its phases. My wish is not to discuss the merits and demerits of the freight rate structure in general but merely to point out our particular position for your consideration in your study of transportation problems in Canada as a whole.

Blowey-Henry Limited, is a wholesale furniture company engaged in bringing to Edmonton all types of furniture and household furnishings and re-selling these to retail concerns in Edmonton and Northern Alberta.

We feel we are at a decided disadvantage to Vancouver in bringing in many of these products. Permit me to give you an example of what I mean. The C.L. rate on linoleum from Montreal to Edmonton is $2.40. The same product, travelling from Montreal to Vancouver, enjoys a commodity rate of $2.24. This is sixteen cents less than the rate to Edmonton for a haul which is approximately 750 miles longer.

Now, if this rate to Vancouver is profitable to the railways, why should Edmonton be made to pay a rate which is higher than this? On the contrary, if this rate to Vancouver is not profitable to the railways, why should Edmonton be made to pay part of the loss incurred on this haul? In view of the fact that the competitive conditions in existence at the time of the establishment of these

rates, and which served to justify them originally, are no longer in existence, we submit that their continuance today is not justified.

Gentlemen, it should be made a basic principle that the intermediate rate must never exceed the rate to a further point.

MR. NOLAN: Thank you.

THE CHAIRMAN: Are there any questions?

CROSS EXAMINATION BY MR. O'DONNELL:

MR. O'DONNELL: Q. Mr. Cairns, you speak of the competitive conditions which were in existence at the time of the establishment of this rate, but which are no longer in existence. What were the competitive conditions to which you refer?

A. The competitive conditions were where there was a difference in the rate, really, from the east to Edmonton, and the east to Vancouver.

Q. But what were the competitive conditions you refer to when the rates were originally established?

A. I do not get your point.

Q. You say:

"In view of the fact that the competitive conditions in existence at the time of the establishment of these rates, and which served to justify them originally, are no longer in existence, we submit that their continuance today is not justified."

I ask you what the conditions were, to which you make reference? What was the situation when the rates were established?

A. Well, the rates on linoleum, particularly, are referred

to there.

Q. Yes?

A. In British Columbia they were not competitive with our prices here.

Q. Yes?

A. Did you mean from a selling point of view?

Q. What justified the rates? You speak of the rates that were established originally? What justified them?

THE CHAIRMAN: Q. That means the freight rates?

A. Yes.

MR. O'DONNELL: Q. What were the conditions which justified those rates?

A. In the first place?

Q. Yes?

A. I suppose that is a problem for the railway commission to say.

Q. I suppose so, too; but I thought I would like to know what you thought they were.

A. I agree that the original rates which were put into effect before the new rate which you have now in mind, which you figure in putting in, that it has an effect on the differentials.

Q. You say that you agree with the rates which were originally in force?

A. Yes.

Q. And now you say you think they are about to be changed?

A. That is what the Commission is sitting for, is it not, to hear argument over changing them?

Q. I do not know; I am just trying to find out what change has come about which no longer justifies the existence of

rates which you say originally were justifiable?

A. There is no change, in fact,at the present time. But if new rates come into effect, it places us, as jobbers of a good many lines, in a different position.

Q. At the present time do you compete with Vancouver on linoleum, for instance?

A. No, we do not.

Q. Then it does not affect you?

A. It does not affect us at the present time, but it might, if the new rate goes into effect.

Q. But at the present time, on the tariffs you now have, you can get into Edmonton for 2.40?

A. That is right.

Page 2085 follows

Q. And the Vancouver man could only get back to Edmonton, having procured his linoleum at Montreal, as you did, for $3.42?

A. That is right.

Q. So that he is at a considerable disadvantage over you?

A. Well, he does not compete in this section of Alberta at all, but it does affect us -- it might affect us on the new rate on certain commodities or goods.

Q. If the Vancouver rate were raised that would help you, you think?

A. If it was raised?

Q. Yes.

A. Yes, if it is kept at its present level ---

Q. But you do not compete, at any rate, at the present time?

A. No.

Q. So we are talking about something that is just academic

A. Yes.

Q. Thank you.

MR. SINCLAIR: Just one question, sir.

CROSS-EXAMINED BY MR. SINCLAIR

Q. Mr. Cairns, do you believe the railways should be allowed to establish rates to meet potential competition?

A. Not at a loss, I do not, no.

Q. But if they are not at a loss you think they should be?

A. Well, it all depends. If it is going to

affect other parts of Canada, I do not think they should, because, after all, the railways I suppose are working more or less on public funds to a large extent.

Q. Do you think the C.P.R. is working on public funds?

A. The C.P.R. may not be. If the C.P.R. wishes to haul freight from Montreal to Vancouver for nothing, that is their business, I guess.

Q. You think that the railway companies, who know the situation, are the best judges of whether they should or should not meet competition, or some other body?

A. They should be the best judge, yes.

Q. Thank you.

THE CHAIRMAN: That is all, Mr. Cairns, thank you.

MR. COVERT: The next one is No. 7, Mr. Chairman; that is of Dower Bros. Limited.

MR. FRAWLEY: I call Mr. Holt.

ARCHIE ALEXANDER HOLT, called

EXAMINED BY MR. NOLAN

Q. What is your full name, Mr. Holt?

A. Archie Alexander Holt.

Q. And what is your position in Dower Bros.?

A. I am accountant.

Q. Where is the president of your company at the moment?

A. He is in the east, in Boston, at the moment.

Q. Mr. Holt, what is the nature of the business carried on by Dower Bros.?

A. They deal in wholesale drygoods and shoes.

Q. Is it an Alberta business

A. It is an Alberta business.

Q. Does it extend into British Columbia or Saskatchewan?

A. When you say British Columbia, yes, in the Kootenays, and also in the northern part, Fort St. John and in there.

Q. Now, you have prepared a submission for the consideration of this Commission, have you not?

A. It wasprepared by Mr. Dower, I believe.

Q. And, as I understand it, on the fourth line from the bottom of the first page a correction should be made?

A. Yes.

Q. The figure $3.36 should read $3.04; right?

THE CHAIRMAN: Where do you say it is?

MR. NOLAN: The fourth line from the bottom of page 1; the figure$3.36 should be deleted and the figure $3.04 should be substituted therefor.

Q. Would you be good enough to read the brief, Mr. Holt?

A. Gentlemen, on behalf of Dower Bros. Limited I appreciate this opportunity to come before this Royal Commission on Transportation to present the position of the Alberta dry goods wholesalers with regard to the present rate structure.

At the time of the application by the Province of British Columbia for the removal of the Mountain Differential we came before the Board of Transport Commissioners and explained the adverse way in which the

removal of the Mountain Differential would affect the Alberta dry goods interests. At that time we submitted that the Board should defer its judgment in this application until the whole freight rate structure had been carefully considered and all unjust discrimination removed. In the interim the Board of Transport Commissioners ordered the removal of this Mountain Differential. This does not mean, however, that our case is lost once and for all. We feel gratified that this Royal Commission has been appointed and that we have the opportunity of presenting our case again at such an early date.

Because of certain mixing privileges which are granted to distributors in Vancouver, when importing goods from Eastern Canada, it will be almost impossible for us to conduct business in certain lines when the back haul rate from Vancouver is further lowered. May I give you an example of what I refer to: The Vancouver distributor is allowed to mix pillow-cases, sheets, towels and cotton blankets in a carload of cotton piece goods. These goods move to Vancouver from Eastern Canada at a rate of $2.44 per cwt. We, in Edmonton, are not allowed the same mixing privilege and if we wish to bring in pillow-cases, sheets, towels and cotton blankets we must pay a rate of $5.48 per cwt.

To get those things in costs us exactly $3.04 more per 100 lbs. than it does the Vancouver wholesaler.

Today, Vancouver distributors can reship these items on an l.c.l. rate into Edmonton at $3.01 per cwtt In other words, the Vancouver distributors can get these items to Edmonton at a lower freight cost

than we can.

When the Mountain Differential is removed this situation is going to be further aggravated. What it will mean to us is simply that Vancouver distributors are going to be able to distribute certain manufactured cotton goods via Edmonton throughout the whole Peace River country cheaper than we can. The full portent of this has been brought home to us by the fact that a Vancouver dry goods concern, previously operating with only an office in Edmonton has started construction of a warehouse in this city from which to distribute merchandise throughout Northern Alberta. It is quite obvious that they expect an increased volume of sales due to the lower prices at which they will be able to offer their merchandise when the differential is removed.

On the same basis, Dower Bros. Limited could establish facilities in Vancouver to handle shipments from the East and reshipments of this merchandise to Edmonton. The added cost to our company of establishing these facilities would be considerable. The diseconomies to the Railroad are obvious; they would carry the freight a much greater distance: from the East to Vancouver and then back to Edmonton as against carrying it from the East directly to Edmonton and they would do this at a lower charge than the direct haul rate.

We respectfully submit that this is a most ludicrous situation, but unless there is some adjustment made on the rates from Eastern Canada to Edmonton, establishment of Vancouver facilities will be our

only choice of action.

We hope that the Royal Commission will recommend the elimination of this type of unjust and undue discrimination which presently encompasses distributing activity out of Edmonton.

Respectfully submitted

By

John Dower.

MR. NOLAN: Thank you.

THE CHAIRMAN: Any questions?

CROSS-EXAMINED BY MR. O'DONNELL

Q. Mr. Holt, the rate that is referred to in the brief here to Vancouver, that is a transcontinental rate, is it not?

A. The $5.48?

Q. The rate that carries the merchandise into Vancouver?

A. Yes, I believe it would be.

Q. Yes, I think it is. You speak there of the mixing privileges; you know that there is some controversy concerning that type of thing, that all shippers, and even consumers, do not agree with the suggestion of the wholesalers that mixing privileges should be permitted; you are aware of that?

A. Yes, I am aware of the opinion.

Q. As a wholesaler you like the mixing privilege, but you know there are others who think it is something that should not be allowed?

A. Well, I am not in a position to give a direct answer to that.

Q. Well, you have heard that there are people who do not like it?

A. I have heard, but it is just an opinion by them.

Q. All right. Now, on page 2:

"When the Mountain Differential is removed this situation is going to be further aggravated."

You think the removal of the mountain differential has had an adverse effect on your business in Alberta?

MR. FRAWLEY: It is not off yet.

MR. O'DONNELL: Well, it is about to come off, on the 1st of July. In anticipation of its coming off he has made a point of it, and I am just asking him if he feels that that is something which will have an adverse effect on his company's business.

THE WITNESS: Well, I mentioned in this brief prepared by Mr. Dower regarding this Vancouver wholesale firm, we are competing against them now, and it is certainly not going to better conditions any when the mountain differential does come off.

MR. O'DONNELL: Q. Then you would prefer that the mountain differential had been left on, from the point of view of your own business?

A. I do not prefer anything of the sort, because I am not in a position -- I am just merely pinch-hitting for Mr. Dower.

Q. I see. Well, you have not heard Mr. Dower express his opinion that he would like business conditions with the mountain differential?

A. No, I have not.

Q. I see.

MR. FRAWLEY: The brief explains it all.

MR. O'DONNELL: Yes, that is all right. I am just asking. We have not got Mr. Dower here. Thank you very much.

THE CHAIRMAN: All right, thank you.

EXAMINED BY MR. COVERT

Q. Just one question I wanted to ask. I wanted to make sure that you did not feel that the Royal Commission was sitting by way of appeal; that seemed to be indicated ---

THE CHAIRMAN: Yes, I have marked that.

MR. COVERT: Q. -- in the second paragraph of your brief?

A. Will you repeat that?

Q. You realize, Mr. Holt, that this Commission does not fix rates?

A. Oh, definitely.

Q. All right, thank you.

MR. COVERT: The next one is Western Supplies Limited.

MR. NOLAN: Call Mr. Armstrong.

HENRY B. ARMSTRONG, called

EXAMINED BY MR. NOLAN

Q. What is your full name?

A. Henry B. Armstrong.

Q. And you are connected with Western Supplies Limited

A. Yes, sir.

Q. What is your position

A. Vice-President.

. That is a concern engaged in what type of business?

A. In the distribution of plumbing and heating materials, oil well casings, supplies, etc.

Q. Within what area do they distribute?

A. In Alberta.

Q. Only in Alberta?

A. This separate company, yes, sir.

Q. And you have, Mr. Armstrong, prepared a submission for the consideration of this Commission?

A. Yes.

Q. Would you be good enough to read it, please?

A. Gentlemen, Western Supplies Limited appreciates the opportunity to come before the Royal Commission on Transportation. We welcome this opportunity particularly because we have on previous occasions joined with others in advocating a complete investigation into the freight rate structure in Canada with a view to making revisions which are more than just adjustments in particular cases. The particular grievances which we wish to bring to your attention at this time are long standing with us and our position is not unique in this respect. Nevertheless, all we can do as a business firm is present our particular case in the hope that it will serve as a useful illustration to your Commission. Such a state of affairs is fairly widespread in this Province as any reference to the relevant tariffs will indicate. We hope that the example of our position will

show the need for principles in the rate structure which will eliminate this and similar unjust discrimination.

We think that the people engaged in business in Vancouver are now in a favoured position on the through rates and that when the rates are reduced between Alberta and British Columbia, there will be a further hardship placed on the businessmen of Alberta.

Our company is engaged in the distribution of pipe. Permit me to give you an example of just one inequality which affects our business and which we think should be adjusted:-

Pipe, 4 inches and under in diameter, imported from Welland, Ontario, to Edmonton: On a carload of 35 tons our freight cost is $1,680. This same carload of pipe will travel from Welland to Vancouver for only $924. In other words, we are called upon to pay $756 more freight on every car of pipe than Vancouver pays. We submit that this is an absurd situation.

The Railways haul the car a much greater distance and get just over one-half of the revenue. It seems to us that there is not much point in discussing the Railway's need for money when we have this sort of thing existing.

Vancouver's mixing privileges from the East also put the Alberta distributor at a serious disadvantage. Suppose that our Company wanted to mix a car of cast iron soil pipe and fittings. On 40,000 lbs. of pipe of 4" and over, we would pay $272.00 on 30,000 lbs. of pipe, of 4" and under, and fittings, we would pay $387.00.

Total cost for the 70,000 lbs. would be $659.00. If we were given the same consideration as B.C. we would be able to ship a car containing all sizes at the same rate. On the 70,000 lbs. just mentioned the cost to us would be $476.00. This would mean a saving of $183.00. It is difficult to understand why there should be different rates on different sizes of pipe: One rate on 4" and over and another rate on 4" and under. The handling charge is no responsibility of the railroad and the weight and value of these two groups of sizes is practically the same.

The rates to Vancouver apply ex Winnipeg so it can hardly be argued that they are set by the Panama Canal competition.

Gentlemen, why should the Edmonton district remain with these disadvantages? I submit that this present rate structure is grossly unfair to Northern Alberta and this Province will be at an even greater disadvantage when the Mountain Differential is removed.

MR. NOLAN: Thank you.

THE CHAIRMAN: Any questions?

CROSS-EXAMINED BY MR. O'DONNELL

Q. Mr. Armstrong, it is your view that the removal of the mountain differential will adversely affect your business here in Alberta?

A. Yes, sir.

Q. Are you familiar with tariffs?

A. Not very much, no.

Q. Well, do you know that the Canadian Freight Classification authorizes a fifth class rate on these

cast iron pipes in carloads?

A. I am speaking of steel pipe and cast iron pipe; which are you speaking of:

Q. That is what I am speaking of too, cast iron pipe?

A. I am thinking of soil pipe from Winnipeg.

Q. This rate is a seventh class rate?

A. That is right.

Q. And that is, according to my information, a depressed rate, in that that commodity should take a fifth class rate

A. I am not saying that; I am dealing with the rate.

Q. You are aware, are you not, that that rate has been in force for many, many years?

A. That doesn't say that we haven't complained about it.

Q. No, no, that is true; I am just asking you if it is not the fact that it has been in force for many years:

A. You should know.

Q. Well, I am merely trying to get along with my friend.

THE CHAIRMAN: Q. Do you know as a fact that it has?

A. Yes, or a rate has been in effect.

MR. O'DONNELL: Q. And do you know that it was in the first instance, on the information I have, a matter of negotiation between the trade and the railways?

A. It probably was.

THE CHAIRMAN: Between whom?

MR. O'DONNELL: The trade, the shippers, and the railways.

THE WITNESS: I did not know that.

MR. O'DONNELL: Q. You say what?

A. I did not know that it was a deal between the shippers and the railways.

Q. You said, "Probably so"?

A. No, I did not.

Q. Well, I can't hear you, you see; and it is a matter of the classification as it stands in the tariff ---

THE CHAIRMAN: Mr. O'Donnell, do you mean that it is one of these agreed rates?

MR. O'DONNELL: My information, my lord, is that this cast iron pipe, for instance, should take the fifth class rate. By reason of an arrangement between the shippers and the railway, it is carried at the lower rate, the seventh class rate.

THE CHAIRMAN: All over the country?

MR. O'DONNELL: Yes.

MR. FRAWLEY: Alberta shippers?

MR. O'DONNELL: And it has been on the tariffs for many, many years. It is a matter of classification, and it is something which, if there were complaint about it, could be taken up with the Board of Transport Commissioners and adjusted if there were any reason for its adjustment.

MR. FRAWLEY: In all seriousness, would those shippers be Winnipeg shippers or ---

MR. O'DONNELL: Mr. Frawley, I don't know

anything more about it than you do. My information merely is that it was arranged between the shippers and the railways, and my information is that any time the railways give a depressed rate it is as a result of negotiations in most cases between them and the railways.

MR. FRAWLEY: You had something on a piece of paper.

MR. O'DONNELL: Q. I have on a piece of paper here, Mr. Armstrong, that the rate referred to on page 2 to Vancouver out of Winnipeg was cancelled on May 31,1949; are you aware of that?

A. No, I am certainly not.

Q. Well, that is the further information, and that is what I have on the piece of paper.

A. Has the freight rate to Edmonton been increased, though, I mean the tonnage rate

Q. I don't know. I read your brief this afternoon, and I just take what I find here, and I have gone over it with you. I am sure that the representatives of either of the railways will be glad to give you all the information.

THE CHAIRMAN: Tell me, what rate is it that has been increased since this was drafted?

MR. O'DONNELL: It is cancelled. The rate is referred to in the second paragraph from the end of the brief:

> "The rates to Vancouver apply ex Winnipeg so it can hardly be argued that they are set by the Panama Canal competition.

That is one of those competitive rates which we have

cancelled, thereby increasing, in order to obtain ---

COMMISSIONER INNIS: Cancelled May 31?

MR. O'DONNELL: May 31.

MR. FRAWLEY: Have you got the tariff?

MR. O'DONNELL: No, I have not.

THE CHAIRMAN: Pardon me, Mr. O Donnell; does this cancellation extend to only the rates ex Winnipeg?

MR. O'DONNELL: Yes, my lord, the one the witness was complaining about.

THE CHAIRMAN: They have been cancelled.

MR. O'DONNELL: There may be others with it -- I do not know -- but that particular rate was cancelled May 31, 1949, and that is part of the revision of those transcontinental rates which were alleged by many people to be low, and rates which if raised to the justifiable ceiling would produce more revenue. Mr. Frawley has had occasion to speak of those.

(Page 2100 follows)

MR. FRAWLEY: Don't make me say it all again.

CROSS-EXAMINATION by MR. SINCLAIR

Q You speak on page 1 in the second to the last paragraph of a rate on carloads of pipe from Welland to Vancouver?

A That is right.

Q Are you aware of the fact that rate was to meet competition on pipe from Europe to Vancouver?

A That is what we were advised, yes.

Q And you are aware that even as late as November of last year there was considerable competition by water from the old country to Vancouver on pipe, and the railways had to meet it?

A That does not help us out here.

Q No, but it would maybe help the railways to make a little revenue by moving pipe against water competition?

A I am speaking about Edmonton.

Q But would you not agree that what helps the railways helps shippers in Edmonton, too?

A For eight years we have been penalized --

Q Would you mind answering that?

A I have answered it.

Q I will ask you again if what helps the railways would not shelp shippers in Edmonton?

A Well, that is a question, too.

qQ You would agree with that?

A Sometimes I might disagree with it.

THE CHAIRMAN: I do not see how he could answer that.

MR. SINCLAIR: Mr. Chairman, the point is that these rates that are in excess of the cost of providing service contribute to the general expenses of the company, and therefore assist the company, in maintaining at a lower level than would otherwise be required,rates that would be applicable in other parts of the country. Certain people have come before us today - about six I would think - and you would think from listening to them that they just could not believe that proposition. It is so basic that it is rather difficult for us to understand their attitude. Possibly they have not thought about it. I think it might be fair to say that they have not thought about it, but it certainly is an advantage to them in Edmonton that the company is able to get business and make some money on it at a lower rate to Vancouver. I would have thought Mr. Armstrong would have agreed with me, but if he does not care to answer it that is all right.

MR. FRAWLEY: Just be patient, you will hear all.

MR. SINCLAIR: I do not want to hear from Mr. Frawley. I want to hear from Mr. Armstrong.

CROSS-EXAMINATION by MR. COVERT

Q Mr. Armstrong, referring to the second last paragraph in your brief, I take it that the point you wish to make is whether that was cancelled or not --

A I have been advised it has been cancelled.

Q -- that there was a rate that was to Vancouver ex Winnipeg.

A That is right.

Q And as you suggest it can hardly be argued that was set by Panama Canal competition?

A It was not, not from Winnipeg, no.

Q I take it that is one of the main points of your brief.

A The main point is we are paying too much freight in Edmonton compared to other places.

MR. COVERT: That is all. Thank you.

THE CHAIRMAN: I think that finishes the day's work.

MR. COVERT: Yes. Before closing I want to file Exhibit 24 for the record. It is a memorandum of public service and commercial vehicle licences issued by the Highway Traffic Board of the government of the province of Alberta. This has been filed pursuant to the request which is found on page 1560 of volume 9 of the evidence.

THE CHAIRMAN: Very well.

EXHIBIT NO. 24: Public service and commercial vehicle licences issued by Highway Traffic Board, Province of Alberta.

--- The Commission adjourned at 4.55 p.m. to meet again Friday, June 17, 1949, at 10.30 a.m.

ROYAL COMMISSION
ON
TRANSPORTATION

EVIDENCE HEARD ON

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ROYAL COMMISSION ON TRANSPORTATION

EDMONTON, ALBERTA
Friday, June 17th, 1949.

THE HONOURABLE W.F.A.TURGEON, K.C. LL.D.	Chairman
HAROLD ADAMS INNIS	Commissioner
HENRY FORBES ANGUS	Commissioner.

\- - - - - -

G. R. Hunter,
Secretary.

P. L. Belcourt,
Asst.Secretary.

\- - - - - -

THE CHAIRMAN: What is the first submission?

MR. COVERT: Mr.Chairman, the first submission this morning is that of D. G. Latta Limited, which is No. 3 on the agenda. By agreement with counsel we will then take up No. 10 next, Macdonalds Consolidated Limited, and then No. 9, Gainers Limited.

MR. NOLAN: I will call Mr. Dworkin.

DAVID L. DWORKIN, called

EXAMINED BY MR. NOLAN:

Q Mr. Dworkin, what is your full name?

A David Lewis Dworkin.

Q How do you spell it?

A D-w-o-r-k-i-n.

Q Mr. Dworkin, you are here representing D. G. Latta Limited who are wholesalers of steel products in Edmonton?

A Yes.

Q In the absence of your manager, Mr. Latta?

A That is right.

Q What is your position with the company?

A I am just employed by them.

Q What is the nature of its business? It distributes steel products?

A That is right.

Q Where, in what area?

A Northern Alberta.

Q And it is a comparatively new business?

A No, I think the firm is at least fifty years old.

Q Fifteen?

A No, fifty years old.

Q A brief has been prepared by your company and you have it with you. Will you be good enough to read it, please?

A Gentlemen: I speak on behalf of D. G. Latta Limited, wholesalers of steel products in this city for nearly fifty years. We welcome this opportunity to appear before you. We tell you our particular interests not because we think you are interested in correcting specific rates but because we feel that our information may be of some value to you in recommending the elimination of all of Alberta's anomalies in the freight rate structure.

We have long been bewildered by the fact that the railways will haul a product a much greater distance for less money than they charge to haul the same product a shorter distance over the very same route. What can we assume from this? If we assume that the railways are making a profit on the longer haul - lower charges, and it seems reasonable to assume that they are; then they must be making, as the used car dealers used to put it, "a killing" on the shorter haul. If we assume that they are losing money on the longer haul, then let them abandon the haul, by all means. Robbing Peter to pay Paul doesn't work in most businesses and we submit it shouldn't be allowed in the railways' business. That, in essence, is what the railroads are doing; the Alberta consumer is paying for Vancouver's lower rates. We, in Alberta, don't enjoy playing the role of Peter.

Let me cite an example of what I mean. We import steel into northern Alberta from Hamilton, Ontario. Our charge per hundred pounds is $2.17. This same steel travels from Hamilton to Vancouver on a commodity rate

of $1.74 per hundred pounds. This means that the railways haul this merchandise approximately 25 per cent farther for just 80 per cent of the revenue.

Gentlemen, it is our submission that the longer haul over the same route should never be charged less than the shorter haul. Thank you.

THE CHAIRMAN: Any questions?

MR. O'DONNELL: I have no questions, but I might indicate that we have had two or three instances of the same thing. It is a case of comparing a transcontinental rate with a commodity rate. The distributor here in Edmonton has a differential in his favour of 59 cents on the combined rate.

THE CHAIRMAN: Fifty-nine cents?

MR.O'DONNELL: The rate from Hamilton to Edmonton is $2.17. The rate from Hamilton to Vancouver is $1.74. The back haul rate from Vancouver to Edmonton is $1.02. The Vancouver shipper can get into Edmonton for $2.76 as against $2.17 in Edmonton. There is a differential in favour of Edmonton of 59 cents.

MR. COVERT: The next submission is that of Macdonalds Consolidated Limited.

MR. NOLAN: I will call Mr. Maddison.

H. W. J. MADDISON, Called

EXAMINED by MR. NOLAN:

Q What is your full name?

A H. W. J. - Harry.

Q Harry W. J. Maddison?

A Yes.

Mr. Maddison,

Q And you are an official of MacDonalds Consolidated in this city?

A Yes, manager.

Q And they are wholesale grocers?

A Correct.

Q Have they branches?

A Yes, in Red Deer, Camrose, Grande Prairie and Dawson Creek.

Q You are the manager of that company for northern Alberta?

A Correct.

Q You have prepared a brief for the consideration of this Commission?

A I have, sir.

Q Will you be good enough to read it?

A Gentlemen, on behalf of MacDonalds Consolidated Ltd., Wholesale Grocers, I take pleasure in appearing before this Royal Commission on Transportation to bring to your attention several transportation matters pertaining to our business.

1. Mixing Privileges

It has been brought to our attention that several bodies have appeared before you to request that the present restricted mixing privileges which apply on shipments within western Canada and between western Canada and eastern Canada, be removed. It is our submission that the present mixing arrangement is satisfactory and in the best interests of the people of western Canada and should not be altered.

Under the present arrangement, wholesale companies, like ourselves, are able to serve hundreds of small and large retail outlets with a variety of goods at a

transportation cost substantially below that which would obtain if the goods were in all cases ordered by the retailer directly from the producer. If the restricted mixing rule was relaxed the large retail outlets would undoubtedly benefit but only at the expense of the smaller retailers. This would occur because of the increased per unit costs attendant upon the reduction in volume handled by the wholesaler. In this regard it should be remembered that in the distribution of groceries the wholesaler has a very low mark-up and must depend on a quick turnover and a very large volume to obtain a fair return on his investment.

Those who urge that the situation be altered to conform with the eastern rules are forgetting one important difference between these areas, namely, that we in western Canada are situated as far as 2,000 miles from the source of our important suppliers. In eastern Canada they are at best 300 to 400 miles away. This goes a long way to explain the original reason for our restricted mixing rule and it is, we suggest, one which still has much force. To the best of my knowledge, the distance between eastern Canada and western Canada has not been appreciably lessened in the last fifty years.

The ultimate consequence of altering the mixing rule will be to curtail the services which the wholesalers presently offer and thereby adversely affect an important part of Alberta's retail grocery trade.

2. Transcontinental Competitive Commodity Rates

We wish to draw the attention of the Commission to the situation that presently applies in connection with the movement of certain grocery items which move from eastern

Canada to western Canada. In general, lower rates have been applied to those shipments destined to Vancouver than apply to similar movements to Edmonton. Taking canned goods as an example, we find that the Vancouver distributors are permitted to import mixed carloads of these at a rate of $1.37. On the other hand, the Alberta distributor is required to pay $2.40 for the same merchandise.

While we realize there is a difference in the carload minimum weight to these points we would gladly accept Vancouver's higher minimum for the same treatment Vancouver receives on rates.

Reparations

Under section 325 of the Railway Act, the Board of Transport Commissioners may disallow unjust or unreasonable rates and prescribe reasonable rates for the future, but it does not have the power to order reparation, or in any way require the injured party to be reimbursed for loss sustained by the payment of unreasonable tolls on past shipments.

Gentlemen, we submit that this situation is unreasonable. It seems particularly unjust when it is realized that the carrier is allowed to retain money derived from tolls which are found to be unreasonable.

MacDonalds Consolidated Ltd. hopes that this Commission will recommend the removal of these anomalies existing in the transportation arrangements in Canada today. Thank you.

Q Have you anything you would like to add to that?

A I don't think so at the moment, sir.

THE CHAIRMAN: Does anybody wish to question Mr. Maddison?

CROSS-EXAMINATION by MR. O'DONNELL

Q Mr. Maddison, you apparently are one of the school that thinks that the retention of the present mixing rule is favourable to the western consumer?

A I think the present mixing rule is in the best interests of the west.

Q And particularly of the western consumer, I take it?

A Yes, the western consumer.

MR. O'DONNELL: I have nothing else except to indicate that here again on page 2 of this brief we have the matter of the comparison of the transcontinental rate with the commodity rate. In the case of Mr. Maddison's company, who are wholesale grocers, there is a differential in favour of Edmonton as against the Vancouver man of 16 cents. It costs $2.56 for the Vancouver shipper to obtain groceries from the east and then back haul them into Edmonton, and it costs Mr. Maddison's company $2.40, a differential of 16 cents. Then there is that further difference in the matter of the minimum loadings.

MR. FRAWLEY: Mr. Chairman, I know there will be ample opportunity for me to discuss the long and short haul situation, and it will be principally in Ottawa in the fall, but now for the third time my friend, Mr. O'Donnell, has called the attention of the Commission to what he calls the differential. He has put the situation to the Commission whereby a Vancouver wholesaler can take goods from eastern Canada and back haul into Edmonton, and he has said that the Vancouver wholesaler is at a disadvantage, if you please, against the Edmonton distributor who brings those

same goods directly from eastern Canada. I put it to the Commission now - and I only want to make the statement for the record - that that is a wholly untenable position to speak about the Vancouver distributor hauling these goods to Vancouver and then invading the Edmonton market from Vancouver. It is the very essence of our case that the complaint is that the Vancouver wholesaler pays less by far than the Edmonton wholesaler who is 700 or 800 miles nearer the place of origin. The position is very simple, and I only put it on the record now because three times I have sat silent while my friend Mr. O'Donnell has put it to the Commission that the Vancouver distributor is at a disadvantage, the Vancouver distributor in the Edmonton area is at a disadvantage. Why he should be anything else but that is very difficult to see.

MR. O' ONNELL: I do not say he should. I think he should be at that disadvantage. Furthermore, in connection with this particular rate of $1.37, which is mentioned on page 2 of the brief, that rate will be raised as of August 1 to $1.68, so he will be at a further disadvantage. The Edmonton people will have a bigger differential.

MR. FRAWLEY: He should not be here at all.

MR. O'DONNELL: Well, that is something else. He is entitled to have his freight moved just the same. That is all we are interested in.

CROSS-EXAMINATION by MR. COVERT

Q I should like to ask Mr. Maddison a question dealing with page 1 of the brief. In the paragraph before the

last one you give the reason for the restricted mixing rule. I wonder if you would clarify that a bit. Perhaps I should explain to you that the Commission has had briefs in which it has been urged that the mixing privilege in the west should be the same as in the east. Then we have had other briefs where they say that the western mixing rule is o.k. If you will read that paragraph you will see you say:

> "Those who urge that the situation be altered to conform with the eastern rule are forgetting one important difference between these areas, namely, that we in western Canada are situated as far as 2,000 miles from the source of our important suppliers. In eastern Canada they are at best 300 to 400 miles away."

Would you explain why that should make a difference in the mixing rules, in your opinion?

A In loading a full car of commodities from eastern Canada --

MR. FRAWLEY: I do not think the Commissioners can hear you.

THE WITNESS: In loading a full car of commodities from eastern Canada we can naturally bring lobster or crab meat in 60,000 pound cars which carry a rate very much cheaper than by assembling one case of lobster or one case of crab meat and bringing it from Halifax to Leduc. It is natural the cost would be that much less.

THE CHAIRMAN: Does that satisfy you?

MR. COVERT: I do not think that it does.

Q You seem to think it is the distance?

A Frankly I think it is because a commodity loaded

in one straight car of a given commodity can be handled a good deal less than making up the same car with forty or fifty various items for different retailers to be distributed all around the area. It would seem to me that the cost must inevitably be less.

MR. EVANS: Q. That is because it takes the highest rate of any of the commodities in the mixed car?

A It takes the higher rate.

THE CHAIRMAN: That is what happens, is it?

MR. EVANS: Yes, in the mixing privilege in the east the highest commodity rate is the one that governs the rate for the whole car. I think that is what the witness means.

THE WITNESS: Yes.

MR. COVERT: Q. On the matter of reparations, Mr. Maddison, which is referred to in the last section of your brief on page 2, is that matter of reparations a serious matter to you?

A No, I cannot say that it has been in the past, but I think the ruling should be in effect for the future, particularly if adjustments on rates are going to take effect and some become lower.

Q Would the reparations go back to the consumer, for instance?

A With the generosity of the wholesaler I would say yes, sir.

MR. O'DONNELL: Q. I suppose if the railway had been carrying on too low a rate you would allow it to be retroactive also?

A I think that would be equity, sir.

Q That is fair enough.

MR. COVERT: That is all. The next submission, Mr. Chairman, is that of Gainers Limited.

MR. NOLAN: I will call Mr. Walter Neale.

WALTER NEALE, Called

EXAMINED by MR. NOLAN:

Q What is your full name?

A Walter Neale.

Q And Neale is spelled N-e-a-l-e?

A That is right.

Q What is your position with Gainers Limited?

A Traffic Manager.

Q How long have you held that position?

A Oh, I have been with Gainers since around 1930; I guess it is about nineteen years.

Q And Gainers is an independent meat packing company with head offices in Edmonton?

A That is right.

Q It is an old firm that was founded in the nineties by the late John Gainer?

A Yes.

Q And it has branches?

A In Vancouver, Victoria, Calgary and Saskatoon.

Q Mr. Neale, you have gone to some trouble to prepare a brief for the consideration of the Commission. I understand that you will be permitted to read what you call your conclusions or recommendations which are contained in section 5 of that brief which consists of the last four pages of the document you have before you. Will you please read those?

A Well, there were just those preliminary --

Q If you would like to take those up now I will. The first of the changes - and there are only three that Mr. Neale desires to make - is on page 7 of section 2. The document is not paged throughout, but on page 7 of section 2 there is an alteration. If you will observe it, that has to do with a table pertaining to what are called animal products.

Q You wish to make some explanation of your understanding of the words "animal products"?

A Yes. When these figures were originally taken - animal products include meat packing and slaughtering and several other industries that you might say are connected with meat packing, but it also includes some industries that are not connected with meat packing, and so I think that really does not give quite a true picture. I have prepared a supplementary table dealing with meat packing and slaughtering which I will be glad to --

THE CHAIRMAN: Q. You want to add it to this?

A Yes.

'MR. NOLAN: I think this table should be deleted and the new table substituted. With your permission we will have the new table reproduced in a sufficient number of copies for distribution to all concerned. It will become the new page 7 of the brief, but there is a statement contained in the narrative halfway down the paragraph at the foot of the page beginning with these words, "It is a paradoxical situation that British Columbia", and so on.

THE CHAIRMAN: That remains, does it?

MR. NOLAN: That should be out.

THE CHAIRMAN: That comes out.

THE WITNESS: That comment comes out.

MR. NOLAN: That sentence should be deleted.

THE WITNESS: The next two sentences, that sentence and the next one.

MR. NOLAN: That sentence and the one following should be deleted, and the table will be substituted.

MR. O'DONNELL: The table is Mr. Neale's own computation, is it?

MR. NOLAN: No, the table is from the 1947 Year Book.

MR. O'DONNELL: But the one he is to substitute?

MR. NOLAN: Is his own. Mr. Neale understood animal products to mean just those products from packing plant operation. As he has endeavoured to explain that is not so because in animal products are included such things as fish?

THE WITNESS: Yes.

MR. NOLAN: And fur goods, a fact about which he was not aware when he reproduced this table. If you will now turn to page 15 of section 3, at the foot of that page there is a table on the question of shrinkage of livestock shipped from Alberta.

Q You would like to clarify the statements contained on that page as to the carloads of cattle, calves, and lambs?

A That is right. These shrinkages on cattle are live weight shrinkages. It is live weight shrinkage.

Q As opposed to what?

A As opposed to meat shrinkage.

Q And that has not been made clear in the brief and you wish to clarify it?

A Yes.

THE CHAIRMAN: We add the words "live weight shrinkage on livestock from Alberta." That will cover it?

MR. NOLAN: That will cover it all with the exception that Mr. Neale has some doubt about the shrinkage on hogs, which is the last three and a half lines on the page.

THE WITNESS: The shrinkage on hogs is actually a computed meat shrinkage. That is meat shrinkage.

THE CHAIRMAN: Q. That is on the meat itself?

A That is on the hog itself.

Q Not on the live weight?

A That is right, and by the way that shows a carload of 200 hogs. Actually I do not think a car of hogs ever contains 200 hogs. It would be more likely about 80 hogs which would be 400 pounds. Actually I have the shrinkage on the live weight of hogs. I have since obtained that, and possibly I can supply that.

Q. Do you say the 200 should be reduced to 80?

A Yes.

Q Do you mean that a carload of 80 hogs would be about 1,000 pounds?

A Eighty hogs would be 400 pounds of meat.

MR. NOLAN: Q. In other words, that does not change?

A No.

Q It is just that hogs are not shipped in that quantity?

A Yes.

Q Now, will you be good enough to turn over the page to page 16 of section 3 and look at the third paragraph under the heading "Economic waste in shrinkage." You have an amendment to make there?

Page 2120 follows

A. Yes. I say this can be considered to be of national concern.

"'Shrinkage' is an important loss. Taking into account the volume of livestock shipped it can be readily calculated how millions of pounds of meats are lost by livestock shrinkage in Canada yearly."

In fact, I don't know whether it can be readily calculated. I think it would have to be gone into.

Q. So you think that the word "readily" should be deleted?

A. Yes; but nevertheless, there are millions of pounds of meat lost by livestock shrinkage.

Q. And those are the alterations you desire to make?

A. That is right.

Q. Will you now turn your attention to section 5 of your brief which is headed "Recommendations."

THE CHAIRMAN: Freight rates are paid on the original weight, is that it?

MR. EVANS: No. Mr. Chairman, not on livestock; on the weight at destination after shrinkage.

THE WITNESS: That is why I bring up the matter of the live weight being an important factor.

THE CHAIRMAN: Q. So you do not pay for more than is hauled?

A. That is right. When we ship a car of meat, we pay on the weight we ship. But when they ship a car of livestock, they pay on the weight, what it is when it gets there.

MR. NOLAN: Q. Will you now read those last four pages of your brief, please.

A. Mr. Chairman and Commissioners:

SECTION V.

RECOMMENDATIONS.

CONCLUSION.

Supplementing the foregoing, it may be our duty to put forward some ideas as to how we consider some of the rate situations might be dealt with, and a fair and equitable freight rates structure established as part of a "National Transportation Policy." We are now, therefore, taking the opportunity of expressing several viewpoints. In doing this, we wish to reiterate there is no desire or intention to regard ourselves as experts on transportation matters; however, we hope our suggestions may be worthy of your consideration.

RECOMMENDATIONS.

1. Carload freight rates on "dressed meats", "packing house products" and "by-products from naturally located meat packing centres such as Edmonton, to consuming marketing centres in Canada, United States and Overseas, be reduced to basis whereby freight charges on dressed meats would be on a parity basis with livestock.

In making this recommendation, we are in no way suggesting that the marketing of "meats" be given any advantage or preference over the "free" marketing of livestock. All we request is that "meats" be given equal status compared to livestock in the matter of railway transportation rates and costs. This would create a "parity" situation and truly allow a free competitive market for livestock compared to meats, its products and by-products.

2. The principle of reduced carload rates for heavier

loadings per car should be widened to take in dressed meats, packing house products, hides, etc., when shipped from naturally located meat packing centres, similar to treatment accorded canned fruit, vegetables and fish and fresh fruit and vegetables, the natural and processed products of British Columbia.

3. Winnipeg, Manitoba, as Basic Point:

Rates on traffic originating in Ontario or Quebec, to points in Western Canada, generally speaking, take a "flat" rate as far as origination points are concerned. The rates from Montreal or Toronto to Edmonton are the same, for example. Points further east of Montreal, such as Halifax, take "arbitraries" over the Montreal rates. Considering the distance from Montreal to Halifax - 840 miles - or Halifax to Toronto - 1,175 miles - the change in rate is subject to a considerable amount of "tapering". We have no objection to this principle, but we submit that Western Canada should be treated similarly if the freight rate structure is to be equitable.

We submit that Winnipeg could be well used as the "basic" point for Alberta, Saskatchewan and Manitoba. Edmonton is only roughly 800 miles from Winnipeg, and we believe the rates on all products, and particularly those products of secondary primary industries, should be given rates which are "arbitraries" over the Winnipeg rates, in the same degree and manner as are in effect on shipments from Eastern Canada, "westbound" from say, such as points as Halifax.

4. Shipments of natural products of B.C., such as fruits, vegetables, canned goods, etc -- the whole region of such shipping points --that is four, by the way -- are taken as one shipping point and rates are applicable to whole areas

such as Groups A., B., XI., X2 in Eastern Canada.

Other destination points beyond take small arbitrary rates over those applicable to A.,B.,XI.,X2,. Similarly shipments of manufactured goods and other merchandise,and products from the greater portion of Ontario and Quebec, take the same rates to say Edmonton, and other places in Alberta.

We submit, a similar arrangement should prevail in the movement of dressed meats and other products of Alberta's basic secondary industry to give an equitable freight rate policy from Alberta.

5. Possibly there could be a combination of No. 3 and No.4. Maybe they could be joined together in some way.

6. We believe the time is opportune for a complete revision of rates in various areas of Canada. As we have stated, the C.N.R. and C.P.R. operate throughout the length and breadth of Canada, and virtually handle all the rail traffic in Canada. For that reason, we do not see any reason for the maintenance of different bases of rates ...Prairie, Pacific, Eastern Canada. If such a situation was justified in the past changes that have taken place in development of traffic have no doubt altered those conditions. We feel the fairest basis would be to apply the same rates for same mileage all over Canada. The railway set-up in Canada makes this both feasible and logical. If we are to have a fair structure, we see no legitimate reason why the C.N.R. or C.P.R. should charge Alberta, B.C. or Ontario customers different rates for performing the same services.

The "tapering" principle should be applied without any combination of different rate bases, such as Pacific,Prairie

Eastern to destroy its true application. Also the so-called "constructive" mileage situation between Fort William and Winnipeg, for instance, used as a combination basis, destroys the "tapering" of rates between Alberta and Eastern Canada, and rates to and from Alberta compared with those applying between Winnipeg and Eastern Canada.

On the other hand, on traffic from B.C.Coast cities, Winnipeg gets a very marked proportionate reduction of rates on a very large number of commodities and products, although the mileage is double that to Alberta destinations. If we are to continue this situation, let the railways make it applicable to Alberta on its products to their markets, and goods shippped in.

7. Special express rates for carloads of fish, fruit and vegetables, are provided by express departments. We feel similar rates should be provided for dressed meats at a certain level above freight rates. Carloads could be loaded on a heavier minimum basis than many of these items. Therefore, per car revenue would be greater. This express service could well provide alternative movement where urgent delivery or other factors were involved.

8. Dressed Meats should be given similar fast train service by freight, as is provided for livestock. Inasmuch as the movement of either the stock or meat is a competitive movement, we submit "meats" should get equal treatment. For example, a special livestock train usually leaves Edmonton every Friday night for the B.C.Coast. It has a running time of approximately 36 hours, so arrives in Vancouver Sunday morning. Cars of meats are sometimes put on this train, but the Sunday morning arrival does not help "meat" deliveries. We believe the railways should provide a service for meats to the Coast from Edmonton so they

could be shipped to be available for delivery second morning from date of shipment, the same as livestock. At the present time, the best delivery we can get on meats to the Coast cities is third morning delivery. One day quicker delivery for meats would certainly be an important factor in assisting in developing a better situation for meat shipments.

To a limited extent, the railways are providing a passenger train service to "freight" carloads of meats. We believe shipments to the Coast cities would be a natural further development of this service. In some cases, we believe it might even be found to work out for part of the haul to be by passenger train and part by "fast freight". For example, running time "dressed meats" to Montreal might be speeded up by having movement, say from Edmonton to Winnipeg, by passenger train, or beyond Winnipeg.

9. Livestock Rates:

We believe present livestock freight rates from provinces of production to destination beyond those provincial borders should be maintained at their present levels.

However, we consider encouragement should be given to movement of livestock within the province of its production to Meat Packing Centres in the province by:

(1) Reducing livestock rates from all Alberta points to Alberta meat packing centres, to same basis as applicable in Eastern Canada, "Stop-off" charge to be reduced to same basis as Eastern Canada.

(2) Extend principle of "reduced" minimum livestock such as 6,000#, 11,000#, 16,000# to greater areas than at present - approximately 200 miles.

THE CHAIRMAN: Q. What is this 200 miles? Is that the present area, or is it a greater distance that you suggest? You say:

> "Extend principle of 'reduced' minima livestock such as 6,000#, 11,000#, 16,000# to greater areas than at present - approximately 200 miles."

Is 200 miles the present area?

A. In Alberta, it is.

Q. And you want that made larger?

A. Yes.

Q. But you do not suggest how much?

A. I think I do, a little further on.

Actually at the present time this "extended" arrangement does apply to certain stations from Manitoba, Saskatchewan, (C.N.R. Tariff No. W.244-C C.T.C. No. 1871, Item 20) e.g. Stessen, Sask. - 331.7 miles from Winnipeg. We contend similar treatment should be accorded Alberta livestock shippers. This situation would, for example, apply from Hines Creek, Alberta, and Dawson Creek, B.C. Such a move would only equalize the situation existing in Manitoba, and we submit the situation is virtually the same.

We feel sure carrying out of these recommendations would, in the final analysis, actually give the railways greater "net" earnings, with lower rates for shorter hauls on livestock.

10. The principle of reduced carload rates for heavier loadings of cars containing materials specifically required by packing plants, such as:

- salt fur curing hides,
- icing salt,
- meat curing salt,
- lard pails,
- wrapping paper.

Some such rates are in effect to Winnipeg and Vancouver, in spite of having cars loaded for in excess of minimum (to the extent of even using one car instead of two) there has been no reduction of rates to Edmonton.

Shipments required for Packing Plant Operation, that by necessity, convenience or efficient operation, move L.C.L should be accorded "mixing privilege" at carload rates or L.C.L. commodity rates, as are provided elsewhere in Canada for certain items. This would apply to such items as Cellulose Casings, (artificial sausage casings), burlap wrappers, cotton bags, cotton piece goods.

11. Commodity Rates:

On the basis of uniform class rates applicable in all regions of Canada, commodity rates should be a proportion, or percentage of such rates, and applicable so as to make the shipping of products or materials justifying "commodity rates" equal for the same distance.

12. Competitive Rates;

There is a relationship between prices right across Canada. This, we consider, is particularly so in basic products and materials connected with primary industries such as Agriculture and secondary primary industries like Meat

Packing plants. When the railways reduce rates in one region and not in another, it may adversely affect the selling prices and therefore the enterprise and welfare of regions not receiving the reduction. It might go even further and reduce tariffc movements from "non-competitive" regions.

Therefore, in dealing with "Competitive Rate Situations" it is our opinion that where the railways consider it necessary to reduce rates below "normal" in one region, they should be required to make corresponding equal proportionate reductions in the same rates from so-called "non-competitive" regions. By so doing a constant "balance" in rates, and stability in the freight rates structure would be preserved, assuring "equality and similarity" of treatment throughout Canada.

This, we are confident, would benefit the railways in more ways than one. It is fair to assume where competitive transportation services exist, the Canadian railways are bound to secure only a portion of the traffic. If rates from regions where the Canadian Railways get <u>all the business</u> receive the same rate adjustment, it will help to safeguard and preserve movement of traffic from these regions. We believe the railways should regard such regions as of utmost "Strategic Importance" as they are vital to their welfare.

Such a rates policy would, we believe, serve to encourage to make "long range" planning of industry and enterprise in these "Strategically Important" regions. Enterprise would know in advance that no disadvantages or handicaps would develop in the matter of transportation costs, by

locating in any region in Canada. In our opinion, this would assist in creating a better balance in enterprise right across Canada.

13. <u>The Powers of the Board of Transport Commissioners:</u>

At the present time the Board of Transport Commissioners only has power over "maximum class rates" in Canada. There are numerous "Commodity Rates" and "Competitive Rates" published by the Railways over which the Board has no control. The railways have practically absolute power in these rates. Traffic in tremendous volume, covering practically all raw materials, and many processed and manufactured products move under these rates fixed by the railways. It is, we submit mainly through the railways' use of this power that the freight rates situation has become so inequitable, as to force seven provinces to press for the establishment of your Commission to investigate the situation. These provinces contain millions of people, cover a tremendous area of Canada, and are a vital part of Canada's trade and commerce.

It is true the Board has the power, where it can be proved, "undue or unjust" discrimination exists through such rates, to order readjustments of other rates to bring them in line. However, it has proved extremely difficult to find a dividing line between what is "discrimination" and "unjust discrimination."

The Board's powers should be widened to give them authority over "Commodity Rates" and "Competitive Rates." What constitutes "undue or unjust" discrimination should be made specific and its interpretation broadened. Unless the Board's powers are extended to cover both

competitive and commodity rates, we are convinced the Freight Rates Structure in Canada is bound to continue to be unbalanced and lack stability, because of the divided authority over rates.

14. A Branch of the Board of Transport Commissioners:
We think it might be advisable to give consideration to the setting up of a branch of the Board of Transport Commissioners dealing exclusively with research on freight and express rates and classifications It would keep these under constant review. Particular attention would be paid to rates and classifications as they affected basic industries, secondary basic industries and other important enterprises in Canada. Another important object would be to foster and encourage development of enterprises and traffic at locations in Canada where they would serve the best interests of the National economy, including the Canadian railways, to the greatest possible extent.

Canada is "growing up" and in this process is realizing the desirability and wisdom of developing a firm industrial foundation into its economy. Under the stress of wartime requirements, there was a vast expansion of industrial and processing capacity in Canada. The importance of maintaining this to retain the nation's position in world trade and commerce is well recognized. A branch of this kind might have a real opportunity to keep rates and classifications in pace with this development.

In conclusion, we would like to point out there are many tariffs and rates that are not in our possession, and there are many other rate situations that should be brought to your attention to demonstrate still more forcibly the necessity for

a National Railway Transportation Policy. We do trust, however, we have broken enough ground, covered enough territory and dealt with some situations in a sufficient manner to prove that many readjustments and far-reaching changes are required to make "real and effective" a Canadian Freight Rates Structure fair and equitable to all Canadians in all regions of Canada. P.C. Order No. 6033 is an important assignment. The results of your investigations can well be the important stepping stone towards the accomplishment of a National Transportation Policy serving well all persons and enterprise in Canada and benefitting the whole Canadian economy. In this task, we sincerely hope our submission will prove to be of some value and assistance to you.

MR. NOLAN: Thank you, Mr. Neale.

THE CHAIRMAN: Are there any questions?

CROSS EXAMINATION BY MR. SHEPARD

MR. SHEPARD: Q. Mr. Neale, on the first page -

MR. COVERT: Excuse me, please. Perhaps for the record we might deal with this situation now. It has been suggested that we should just put in the record part V of the brief, and attach sections 1, 2, 3 and 4, as exhibit 25. Therefore, upon the examination on the brief, if counsel would refer to section V, it would not matter if they refer to the other sections as sections, but rather as exhibit 25. I think it would make it much easier to read the record later. Would that be satisfactory to everybody?

MR. O'DONNELL: Quite!

MR. FRAWLEY: As I understand it, Mr. Covert, the first four sections will be available as an exhibit and will be just as much a part of the record as if transcribed, and they may be used in argument in the same way.

THE CHAIRMAN: The recommendations become the main document, while the other parts are being annexed as exhibit 25. All right, Mr. Shepard.

MR. SHEPARD: Q. Referring to the first page, of section V of your brief, where you make a suggestion about Winnipeg becoming the basing point, you refer to arbitraries for goods destined for destinations beyond Winnipeg on the westward movement, I was wondering if that would have the effect -

THE CHAIRMAN: What paragraph is that?

MR. SHEPARD: That starts about halfway down the

page where there is a heading: Winnipeg-Manitoba basic points, and I am looking at - -

MR. O'DONNELL: Section 3?

MR. SHEPARD: Section 3, yes. I see the very number.

THE CHAIRMAN: What is your question on that?

MR. SHEPARD: Q. Mr. Chairman, my question is going to be: Would the suggestion that you are making have the effect of restricting the distributing area of the Winnipeg distributor while enlarging the distributing area of the Edmonton distributor?

A. I do not know whether it would. I mean, the only thing I am getting at is: I am trying to get an equitable basis. The rates beyond Winnipeg jump, and it goes like that. And Winnipeg being, you might say, the first packing centre in the west, I think it might be logical that they assume that low, just the same as Toronto. Toronto may be the basis for eastern Canada west. The same thing might apply from west to east.

Q. I had in mind this: Supposing a distributor in Winnipeg shipped his products - not necessarily meat, because this is a general recommendation before us - and he normally distributed, let us say, into Saskatoon; and yet he had a competing distributor located in Edmonton. The effect of your suggestion, I assume - and will you correct me if I am wrong - would be that the Saskatoon markets - which formerly were perhaps considered fair game for Winnipeg distributors - would be denied to him, because he would have a higher rate; and you would have the benefit of a lower rate out of Edmonton - not out of Edmonton, but to get your goods into

Edmonton?

A. You are talking of a movement backwards. I am talking about a movement of meats east, let us say, from Winnipeg to eastern Canada. That is what I have in mind. There are movements where you ship meats from Winnipeg to Toronto and Montreal, and not ship, let us say, from Saskatoon to Toronto, Montreal, and Edmonton, for the radius for this certain radius of Winnipeg, I do not think that is what I am getting at there, at all.

Q. But your main idea is to put the Edmonton shipper in a better position in the eastern market?

THE CHAIRMAN: Q. That means that Winnipeg today is used as a basic point for shipment eastward?

A. That is right.

THE CHAIRMAN: Are there any other questions?

MR. SHEPARD: Q. I have just one more question, Mr. Chairman. On page 2, of section V, Mr. Neale, the second paragraph, under part 6, you make slight reference to the constructive mileage. I assume you would not want the rates east fromWinnipeg increased? You haven't got that in there?

A. The whole substance of what I am trying to say is that: There are certain rate bases; I think there is an eastern Canada basis, constructive mileage ,and prairie basis; and I think there should be a flat basis across Canada and the tapering principle would then apply right across the country.

Page 2136 follows

Q. You would take the constructive mileage right out of the rate structure

A. I think I would. I mean, the constructive mileage serves as a kind of -- you might say it detracts from the true tapering of the rates.

Q. You do not feel that you out here get any benefit from it?

A. What I am getting at is, you take a certain rate, maybe to Fort William, and then you add a constructive mileage, and then you add the prairie scale onto that; I mean, you are making two or three combinations of rates in order to arrive at that rate.

Q. But you would not want to see the rates from Eastern Canada to Winnipeg increased?

A. Well, I mean, Edmonton would be paying on a tapering basis.

THE CHAIRMAN: Q. What is your answer?

A. He was saying about not wanting to see the rates to Winnipeg increased. I don't know whether that is quite the way I am getting at the thing. What I am getting at is that we have a coast-to-coast, say Montreal to Vancouver, that is the total distance, and the rate gradually tapers up.

Q. From where

A. From Montreal, sir. From coast to coast the rate tapers up on a mileage basis. There is no different basis anywhere, or no constructive mileages, no eastern basis, no prairie basis, and all like that. The rate gradually tapers up on the basis of mileage.

MR. SHEPARD: Q. Am I correct in saying this,

then, that what you would like to see is a rate structure; there would be a coast-to-coast rate to start with from say Montreal to Vancouver, and then tapering back as you got closer to Montreal:

A. Yes.

Q. By a certain amount, whatever the proper way to calculate that may be

A. Yes.

Q. That is your whole point here

A. Well, I would say so, yes. I mean, these different bases of rates like what we had -- we had the B.C., then we had the prairie, and then we had the Eastern Canada, and then we had the constructive mileage from Winnipeg. You see, those all serve to clutter up the whole thing, make it a kind of patchwork affair.

Q. Thank you.

COMMISSIONER INNIS: Q. Do you contend that the arbitrary east of Fort William should be abolished?

A. Well, I mean in order to establish an equitable structure I think that the whole thing might be established on a flat basis, as I say, right across Canada.

Q. But you say nothing about the arbitrary; you are only mentioning constructive mileage?

A. Maybe there is an arbitrary;; maybe I was not aware of that. I know there are these different bases.

Q. But you have the arbitrary rate to Fort William, and yet that does not enter into your calculations?

A. No. I mean, whatever serves to destroy -

a true tapering of the rates I think should be eliminated.

THE CHAIRMAN: Q. You mean to say, then, that distance alone should be the factor?

A. I think distance alone should be the governing factor, yes, basis of the rates.

Q. And then a taper?

A. Then of course there would be commodity rates, and then competitive rates would be on a proportionate basis.

EXAMINED BY MR. FRAWLEY

Q. Mr. Neale, would you turn to the top of page 3 of your section V. I am not quite clear; you speak about this situation from Stessen, Saskatchewan, east to Winnipeg. I am not clear really what your point is there. There is a discrimination, in your view; would you just elaborate on that?

THE CHAIRMAN: Where is that, please, Mr.Frawley?

MR. FRAWLEY: Page 3 of section V, that was read, at the top of the page.

Q. You want to extend the principle of "reduced" minima; now, would you mind just elaborating on that?

A. Well, there is an item in that C.N.R. tariff that I speak of there where the minimum, like 6,000, 11,000, 16,000, is provided from Stessen into Winnipeg on a truck competitive basis, but the maximum basis within a radius of Edmonton is 200 miles. For instance, when we go beyond 200 miles we have to pay the regular tariff minimumm, 60,000; there is no 11,000 or 6,000 beyond 200 miles.

Q. Well, it looks like this, then, that the limit

of the truck competitive tariff in the Edmonton area is 200 miles?

A. Yes.

Q. And the limit of the truck competitive tariff in the Winnipeg area is 331.7 miles?

A. I would say so, yes.

Q. That is a simple way of putting it?

A. .Yes.

Q. And you complain that that is a differential treatment against the Edmonton area that is not justified

A. Yes.

Q. And what I point out is, if we did have the same radius of application that Winnipeg has, then points as far away as Hines Creek, which is the end of steel of Northern Alberta Railways ---

A. I don't know whether it would go quite as far as Hines Creek. I think Hines Creek is about 300 miles. Dawson Creek is about 400 miles, I think, but it would apply within a greater radius.

Q. Even if you are not exactly right, roughly you could get to the end of steel on Northern Alberta Railways

A. Just about.

Q. With the same application that is granted in the Winnipeg area

A. That is right.

Q. Whereas now you are limited to 200 miles?

A. Yes.

MR. O'DONNELL: Truck competition is limited to that.

THE WITNESS: Well, there is truck competition from Grande Prairie, Mr. O'Donnell.

CROSS-EXAMINED BY MR. EVANS

Q. Mr. Neale, where did you get the idea on page 1 of section I that the Canadian Pacific was granted a Government loan of $60,000,000?

A. Well, that was at the time of the Bennett administration.

Q. I suggest to you that there was no such loan.

THE CHAIRMAN: What are you suggesting?

MR. EVANS: That there was no such loan.

Q. I suggest to you that in the depression period, the Government guaranteed a loan made by the banks to the Canadian Pacific; would you agree with that?

A. Of course, I mean they serve as surety.

Q. They guaranteed the loan?

A. Yes, theyguaranteed the loan.

Q. Did you know that loan had been paid back?

A. Well, I presume it was paid back; I took that assumption.

Q. Then what did you mean when you said this:

> "Every person in Canada was also called upon to support the operations of the Canadian Pacific Railway Company when the Parliament of Canada deemed it necessary and advisable."

And then further down:

> ". . . in all regions of Canada by taxation are paying equally to maintain and ensure the operation of those enterprises?"

A. Well, as far as the Canadian National Railways is concerned, their operations are supported by public funds in case of a deficit.

Q. But you are not talking only of the Canadian National; you are talking of both there?

A. To bring that point in with this $60,000,000 loan that we say was guaranteed -- I mean, in time of an emergency, if the C.P.R. ran into difficulties and it would appear that they were under stress of financial need, that it is possibly obvious that the Government of Canada would come to their assistance.

Q. Well, but you suggest that the people of Canada through taxation have paid something for the assistance of the Canadian Pacific?

A. Well, I mean if the Canadian Pacific had not been able to pay the loan the people of Canada would have had to pay it.

Q. You think so, do you?

A. Well, I mean, if the Government guaranteed the loan.

Q. Do you know anything about the security that was put up by the Canadian Pacific with the banks?

A. No.

Q. In fact, you don't know what this is all about, do you?

A. Well, no. The thing is this, though, putting up the security, if the operations were not possible to secure it, they might not have been worth an awful lot.

Q. Now, on page 3 of section I, there you have this passage, about the beginning of the first complete paragraph:

> "In general, we are disappointed and surprised at the attitude of the C.P.R. In hearings across the country in the "30% case" and the

"Mountain Differential" case, and at other times, officials of both railways made statements that they would welcome a full investigation into freight rates in the light of changes and new developments. Now it has been launched by a Commission with broad terms of reference, the Canadian Pacific Railway Company comes forward with a statement submitting that the railways are justified in compelling certain regions in Canada",

and so on. Now, is the suggestion you make that the Canadian Pacific should not present its views in a general investigation?

A. No. I am not suggesting that in any way.

Q. Well, do you suggest here that presenting its views, as you put it, is inconsistent with its statement that it would welcome an investigation of rates?

A. Well, I rather think I implied from the statement as it went on that it seemed to be rather prejudicial to a full investigation, because they seemed to come forward with some very definite ideas of the rate situations that will be presented to them.

Q. Isn't that what you are doing?

A. Well, I mean, yes, we are doing it, but I believe ---

A. You would not deny us the right to present our views, would you?

A. Not at all, not at all.

Q. Then turn to section V. What do you mean in the first paragraph of your recommendations, where you suggest that you should have a rate on meats that would put it on a parity basis with livestock?

A. Well, I think the suggestions, I mean what I say in the first sections where I am comparing livestock rates with the dressed meats, that from a matter of railway costs it appears to us that there is a preference given to the movement of livestock compared to meats.

Q. Yes, I know, and you ask for parity; I want to know what your parity is?

A. Well, I mean so that the matter of shipping dressed meats would be equal in cost to shipping livestock.

Q. Do you mean the same number of cents per hundred pounds?

A. No.

Q. I am trying to find out what you mean?

A. Well, what I was trying to establish in the first part there was that on the basis of shipping livestock compared to dressed meats it costs more to ship meats slaughtered in Edmonton than it would to ship the livestock.

Q. Yes, that is quite apparent from your study, but what you want is this: you want the rate on fresh meats to be the same per pound of delivered meat as would be represented by an equal amount of livestock?

A. Yes, taking that into consideration plus of course other factors, you could say, such as hides, for instance. I think the railways should consider the whole picture. I mean, for instance, they ship a car of meats to Eastern Canada, they ship livestock, they only ship the livestock, but if they ship the dressed meats, well, the ship the dressed meats, and then there are the hides left and there is the tallow left and other commodities left still to be shipped.

Q. You are talking here, Mr. Neale, about the parity between dressed meats and livestock, and I am trying to get what you mean by parity, and I am trying to get it clear; I am not trying to break you down, I am just trying to see what you want. Now would you let me put it to you once more: you say, for example, in one of your examples, that livestock say dresses at 53 per cent, and your idea would be that 53 per cent of what comes out of the stock car in weight comes out of your packing plant in dressed meats; is that right?

A. That is right.

Q. And that a parity basis on rates would mean that for every net pound of meat at the packing plant you should pay the relationship of 53 to 100 more than livestock?

A. That would be part of the picture, but then again there are more factors to be considered.

Q. Now, I am talking about dressed meats; don't bring hides into it yet; we want to get dressed meats down. You talk about parity; now, what does parity mean?

A I mean a comparable cost, I would say, a comparatively even cost.

Q. Well, how would you go about fixing these rates?

A. Well, I think that the thing should be analysed thoroughly in view of the over-all picture. For instance, they take a livestock car from Edmonton to Toronto and they bring it back empty. I mean all those things have to be taken into consideration, I mean an empty car mileage and all those factors must be analysed completely.

Q. The fact is, you have not made a study of it?

A. I have not made a study of it, no, but I mean ---

Q. You would have a different relationship between dressed meats on hogs than you would on beef, wouldn't you?

A. Yes.

Q. Because they dress out differently?

A. Well, I have illustrated that.

Q. So you would have the different rates on everything according to the way it dressed in relation to the live animal; is that what you want?

A. Well, I believe that fact could be established. Yes, I think maybe we could have a different rate on dressed beef and have a different rate on dressed hogs.

Q. Now, this is in paragraph No. 2 under the heading of "Recommendations":

> "The principle of reduced carload rates for heavier loadings per car should be widened to take in dressed meats, packing house products, hides, etc. when shipped from naturally located meat packing centres".

Now, how would you determine what was a naturally located meat packing centre?

A. I think where there is an area like Alberta, which is an agricultural province with a heavy livestock production, and it is natural that that is one of our basic secondary industries, I would say.

Q. In other words, if Winnipeg or St. Boniface were situated in an area where there was no livestock production, that packing plant would not get the benefit that Edmonton would, where it was naturally situated

A. No, any more than you might say that Edmonton would get the benefit of say canned goods, I mean shipping

fruits into Edmonton and canning them here.

Q. Then there would be a dispute every time to determine whether a plant was naturally located or not?

A. I do not think so. I think that should be quite obvious, on the basis of livestock populations and the general conditions in the country.

Q. Now, did I understand you correctly when you said there was not the same shrinkage in dressed meats as there is in livestock What is the rough relationship between shrinkage in the one as against the other?

A. Well, in hogs, for instance, that is a meat shrinkage in hogs approximately 5 pounds per carcass.

Q. Then what would it be in meats?

A. In meats?

Q. In the live hog; that was meat.

A. I have that figure on the live hog. I have some figures here which vary considerably. I have the figures here which show the shrinkage on live hogs.

THE CHAIRMAN: Q. What section and page is that

A. He happened to ask me, Mr. Evans asked me this question, and I happened to have this information which I have obtained since.

Q. No, but there is a place here where you do refer to shrinkage?

A. Yes; that is page 15, section 3.

MR. FRAWLEY: Q. This is something you want to add to page 15?

A. Yes.

THE CHAIRMAN: Well, it is an answer to a question by Mr. Evans.

THE WITNESS: It is some information I have obtained since I prepared this on the shrinkage on hogs, the live shrinkage on hogs. I took an example of three cars that were shipped from Edmonton on June 10 to Vancouver, and the shrinkage, the live weight shrinkage, on one car was 12 pounds per hog, 12.6 pounds per hog, and on another car the live weight shrinkage was 23 pounds per hog.

THE CHAIRMAN: Q. Just a minute. You say the shrinkage on the live hog in one test you made is 12 ---

A. That is right. Those are three cars actual test. The first car was 12.6 pounds, the second car was 23 pounds per hog, and the third car was 15.6 pounds per hog.

MR. EVANS: Q. Well, that shrinkage on meats ---

A. Then of course that at the bottom ---

THE CHAIRMAN: Q. That is on the live hog?

A. That is on the live hog.

MR. EVANS: Q. The shrinkage on meats, then, we might say is only a fraction of what it is on the livestock?

A. Well, yes. I mean, in that case it was -- you might say there is about five pounds, about, maybe -- it varies, of course, it varies somewhat, of course. Those hogs, it would depend, I guess, on when they were fed and watered and all that.

THE CHAIRMAN: Q. Yes, but the word "meat" was used?

A. Yes, on hogs.

Q. Not on the live hog, on the meat?

A. On the meat. On the hog I say it is about 5 pounds per hog, between 5 and 6 pounds per hog.

Q. On the meat?

A. Yes, on the meat.

Q. Do you mean on the pork shipped?

A. Yes, on the pork.

Q. About 5 pounds per carcass

A. About 5 pounds per carcass, 5 to 6 pounds per carcass.

MR. EVANS: Q. Now, you told my friend Mr. Shepard that you thought that any combinations of rates or structures of rates or scales of rates that did not reflect the normal taper over the entire distance should be changed.

A. Well, on you might say an across-Canada basis.

Q. Well, any basis, to eastern Canada, say; is that your view?

A. I feel that is my view.

Q. Then I suggest to you that you would have to forego some advantages you now have on the shipment of meats, both to the domestic markets in Eastern Canada and for export from Alberta

A. You mean on what basis would that be.

Q. Well, I suggest to you that the domestic rates between Western Canada and Eastern Canada operate this way, that from Alberta points the rate is 80 per cent of the fourth class, Saskatchewan 85 per cent of the fourth class, Manitoba 90 per cent of the fourth class, and that you are really getting an extremely high rate of taper as you go westward on those rates

THE CHAIRMAN: That is going westward.

MR. EVANS: Well, Alberta is getting the maximum discount from the fourth class.

THE CHAIRMAN: On shipments east?

MR. EVANS: Yes; and it is tapering outwards from Manitoba and the greatest benefit is for Alberta shippers.

MR. FRAWLEY: Would you give us the reference, please, because it is not altogether clear?

MR. EVANS: I will be glad to give it to you later. I have not got the tariff references, but I am sure Mr. Neale knows all about the rate.

THE WITNESS: Well, what I would like to ask Mr. Evans is how these rates beyond Winnipeg go up in greater proportion than the mileage. For instance, from Winnipeg to Eastern Canada on packing house products and meats -- I mean, I don't know whether this fourth class rate you speak of is based on the combination of several factors.

MR. EVANS: Q. No, I am talking about the movement from Western Canada to Eastern Canada, which is based on a percentage of the fourth class rate, and the arbitrary beyond Fort William is constant in all cases, as I understand it.

A. Well, I mean, that of course is not -- I mean, you are working on the basis as it exists at the present time.

Q. Of course I am; aren't you?

A. I mean as it exists at the present time.

Q. Yes?

A. But, as I point out, in these rates that I refer to on meats from Winnipeg to Eastern Canada, we are paying a large -- I mean, the rate goes up in proportion to the mileage.

MR. FRAWLEY: Give us the page as you refer like that to it, please.

THE WITNESS: I will have to look and find the reference.

MR. EVANS: Q. You know the way those rates are based, don't you, Mr. Neale?

A. For instance, page 9, section III, that may give me the ---

THE CHAIRMAN: Q. Section 3?

A. Page 9, section 3. The rate from Winnipeg to Montreal I see there near the top of the page is $1.46 per hundred pounds, and our rate from Edmonton is $2.27.

(Page 2154 follows)

That is 81 cents per 100 pounds more than from Winnipeg which means, I think, that the rate is more than 50 per cent higher than it is from Winnipeg.

Q You can make those calculations and put them on the record if you like, but I am suggesting to you that the rate basis on domestic movement to eastern Canada is more favourable relatively in every case from Alberta than it would be from Saskatchewan or Manitoba?

A Well, I don't know. I feel that is a point that would have to be clarified in view of these rates.

Q Suppose I make these suggestions to you and you check them. I suggest to you that from western Canada to eastern Canada on the domestic movement of fresh meats the basis is 80 per cent of the fourth class from Alberta, 85 per cent of the fourth class from Saskatchewan and 90 per cent of the fourth class from Manitoba points. On packing house products the same relationship exists, but they are percentages of the fifth class.

A I mean --

Q Will you let me put them to you and they will be in the record, and you can check them. On hides Alberta is 75 per cent of the fifth class, Saskatchewan 80 per cent of the fifth class and Manitoba 85 per cent of the fifth class.

THE CHAIRMAN: What is that on?

MR. EVANS: That is on hides. I have previously given fresh meats and packing house products. For export on fresh meats - and this is on a minimum of 30,000 pounds - from Alberta points it is 70 per cent of the fourth class, from Saskatchewan points 75 per cent of the fourth

class, and from Manitoba points 80 per cent of the fourth class. That is to Montreal. Then to points beyond Montreal the arbitrary over Montreal to Saint John and Halifax - and it is a haul of approximately 800 miles extra to Halifax - is 2 cents in addition. On packing house products from Alberta points it is 70 per cent of the fifth class, from Saskatchewan points 75 per cent of fifth class, and from Manitoba points 80 per cent of fifth class. The Maritime arbitrary over Montreal is 2 cents. That is 2 cents plus 21 per cent in both cases, which is 3 cents. I should say that 3 cents is the arbitrary in all those cases. On hides from Alberta, Saskatchewan and Manitoba the basis for export is common, 85 per cent of domestic rates.

Q My suggestion to you simply is that if you are going to preserve this principle of tapering to the extent that I understood you to say you would, Alberta would lose a considerable advantage in those rates?

A I don't know. You are talking about percentages of class rates, and I am talking about the actual rates.

Q But you go with the class rates for the right of tapering?

A For class rates the right of tapering from eastern Canada without taking into consideration any of these other factors such as arbitraries.

Q I suggest to you what is taking place is you not only have ordinary tapering in the class rates, but you have an additional amount of tapering provided by your lower percentage of the applicable class rates?

A You are dealing in percentages and I am dealing

with the actual rates as they are constructed, as they have been constructed. These class rates may be out of kilter, too, but taking into consideration these various factors of combinations --

MR. FRAWLEY: Q. Do these goods move on class rates?

A No, sir, these goods move on the commodity rates.

THE CHAIRMAN: Which is it? Do they or do they not?

MR. FRAWLEY: I said do the goods move on the class rates? Are they effective rates or paper rates?

THE WITNESS: No.

MR. EVANS: I am talking about the commodity rates, Mr. Frawley.

THE WITNESS: I am talking about the actual charge per 100 pounds.

MR. EVANS: Will you let me give Mr. Frawley my views? I am telling him that he gets the benefit of the taper in the class rate through the application of the commodity rates plus an additional taper as you go westward.

THE CHAIRMAN: As you go westward?

MR. EVANS: Yes.

MR. FRAWLEY: It is all in the record now, and the witness said he would check them for you.

MR. EVANS: Q. I should like to turn now to the bottom of page 2 of section 5, paragraph No. 9, subparagraph 1. This is one of your recommendations :

"Reducing livestock rates from all Alberta points to Alberta meat packing centres, to same basis as

applicable in eastern Canada."

Do you mean there that you feel that the livestock rates in the west, the commodity mileage rate should be reduced to the eastern basis?

A That is the general tenor of the whole thing. We contend that in order to have similarity of treatment rates in eastern Canada on livestock should be the same in western Canada.

Q Then you do not want special treatment for Alberta points?

A No.

Q This rather suggests that you wanted some special treatment?

A No.

Q "From all Alberta points to Alberta meat packing centres"?

A Yes, that is just what I say.

Q I wondered whether you wanted that to apply to packing plants in Manitoba, for example.

A For instance, Manitoba might get that within Manitoba, within the province. I think there should be a tendency to make it apply within a radius.

Q And what radius would you suggest?

A Well, I think possibly within the province might be a fair radius, within the province of production.

Q Any mileage within the province?

A I think so. For instance, Edmonton and Calgary are pretty well located. The contiguous territory would pretty well take care of it.

Q Roughly from what mileage would you draw cattle into your packing plant?

A Well, we should possibly be able to go to the border of Saskatchewan, say Lloydminster.

Q That would be what, 400 or 500 miles?

A I do not think it is that far, about 200 miles.

Q It is about 200 miles to Calgary?

A I think Lloydminster is about 200 miles.

Q Say 300 miles?

A Yes, I would imagine within a certain radius.

Q Then you say:

"Stop-off charge to be reduced to same basis as Eastern Canada."

What is the stop-off charge you have today?

A It is $3.63.

Q What is it in the east?

A I did have those figures for the east.

Q I suggest to you it is exactly the same in the east.

A First stop-off $1.21; second stop-off $2.42, and additional stop-offs $3.63.

MR. FRAWLEY: Q. From where are you reading?

A Page 20, section 4.

MR. EVANS: Q. Is this the same stop-off you are talking about here?

A This is the C.N.R. It is about the middle of the page.

Q What you mean by that is that in eastern Canada they have three possible stop-offs before they get to your figure?

A That is right.

Q And what proportion of the livestock coming into

your packing plant moves into your plant by truck?

A I do not think I can give those figures. There is quite a proportion.

Q Three-quarters?

A I don't know. I would hate to hazard a guess. It may be three-quarters; it may be half. I don't know, and it may vary with the time of the year, too.

Q Do you get lower or higher rates on the truck movements than you do on the railway?

A Truck rates are generally higher than rail rates.

Q Have you made a complaint about the truck rates on livestock to your plant?

A No, I have not made any complaint.

Q And yet 75 per cent roughly moves in by truck?

A I would not hazard a guess how much comes in by truck. A lot depends on the season of the year. Sometimes in the spring it may all come in by rail when the roads are pretty bad.

Q On page 3 of section 5 in the paragraph beginning "Competitive rates", item 12, the second unnumbered paragraph, you say:

> "It is our opinion that where the railways consider it necessary to reduce rates below normal in one region, they should be required to make corresponding equal proportionate reductions in the same rates from so-called non-competitive regions."

That is to say, you think if the railway chooses to meet competition at one point that it should be compelled to give that competitive rate to all other points, whether there is competition there or not?

A Well, yes, I think so.

Q Is that the practice you follow in your business?

A I am not in the sales department. I could not answer that question.

Q I suggest to you if you have competition at a particular point - let us say you are competing with Manitoba packers at Regina - and you had no competition at some other point, you would meet your competition only at Regina and not at the other points in your business?

A Well, our business is different to the railway business. Actually by pursuing these competitive rate situations it can have an effect of keeping our rates high. Possibly it dries up traffic from these non-competitive regions.

Q My friend, Mr. O'Donnell, referring again to the stop-off question,says that since April 15, 1949, the stop-off is exactly the same in the east as it is in the west?

A It has been raised?

Q Yes.

A Of course, since the time --

Q April. That was my information but I did not have a date. I should now like to turn to page 4 where you deal with the powers of the Board of Transport Commissioners.

THE CHAIRMAN: Page 4?

MR. EVANS: Page 4 of section 5.

Q You say:

"The Board of Transport Commissioners only has power over maximum class rates in Canada."

Then you suggest that the railways have practically absolute power over these other rates, and then you deal with the railways' use of this power, and you say that it is the railways' use of this power that made the freight rate structure so inequitable?

A I think it has to some extent.

Q I have not put my question. I am just introducing it. I suggest to you that the only difference in the power of the Board as regards maximum rates on the one hand and the commodity and competitive rates on the other is that you must get prior approval of the maximum rates before they become effective. Otherwise the power is exactly the same.

A Well, do I not understand that as long as a rate is below the maximum rate the railways can bring in, the railways can quote practically any rate they desire.

Q No.

A A competitive rate.

Q I think you had better make a study of that situation. You had better read the Railway Act, and you had better read some of the decisions of the Board because I suggest to you you have not thought that problem out, and that you have made a statement here that cannot be supported. Now, then, that is what you mean by divided authority. You say "divided authority over rates." You think the Board has power over maximum rates and the railways have power over --

A Yes, it is my understanding that the Board has power over maximum rates, but where there is undue or unjust discrimination they may order readjustments. That is my

understanding of the situation.

Q Yes, and they can where they are unjust and unreasonable.

A Sometimes that is a pretty hard thing to define.

Q That may be. Thank you.

CROSS-EXAMINATION by MR. O'DONNELL:

Q Mr. Neale, through the years the packing house business in Alberta has grown very considerably, and at the present time is in a pretty healthy state financially and every way?

A As far as livestock production is concerned things are not - there is a shortage of livestock, comparatively speaking, a shortage of livestock. Actually things are not --

Q Things are not what?

A I mean there is quite a shortage of livestock.

Q Quite a shortage of livestock. Well, business is good?

THE CHAIRMAN: Q. What?

A A shortage of livestock.

MR. O'DONNELL: Q. You did not read this morning's paper where it said that there was a glut of livestock?

A I know we have had to bring stuff in .

Q All I am asking is if you agree with me that the packing house business in Alberta has grown through the years, and is in a very good financial condition at the present time?

A I don't know the financial position of the company.

Q I see. You are merely their traffic man. You do

know, do you not, that livestock marketings are much better than they were last year?

A Yes, that could be.

THE CHAIRMAN: You mean a greater volume?

MR. O'DONNELL: Yes. I think it might shorten it if I read this into the record. This is an extract from the report on trade activities, Bureau of Statistics of Alberta, for 1948. It is only two short paragraphs.

"Livestock marketings are much better than last year in spite of the fact that our products were curtailed in the British markets. This resulted in more exports to the United States where the prices were higher. A notable feature this year is the increase in the production of hogs, and the prices obtained have brought much satisfaction to the farming industry. Cattle exports are once more in the ascendancy. Statistics will be furnished in detail by the Department of Agriculture.

The slaughtering and meat packing industry following the pattern of agricultural products, experienced a better year than the previous one. The production in terms of quantity for the twelve months ended December 31, 1948, was 295,000,000 pounds of meat as compared with a little over 270,000,000 pounds for the year 1947. The increase was due principally to the increase of meat from hogs slaughtered."

You would agree with the statement I have just read to you, I take it, from your personal knowledge of the industry?

A To some extent. You speak of livestock marketings, and to some extent meat shipments, but what we are trying

to establish is possibly a better balance of meat processing compared to livestock shipments.

Q In any event, livestock marketings were much better last year than the year before?

A Yes.

Q And the packing house business in Alberta has grown each year through the last ten or fifteen years?

A Actually as far as our working capacity is concerned, we are certainly not operating at capacity. In the last two or three years I would say our operations are only running about 50 per cent of our capacity.

THE CHAIRMAN: Q. Did you ever run to capacity?

A Yes.

Q What year?

A During the war years we ran to capacity but since then our operations are much lower.

MR. O'DONNELL: Q. You know the Burns Company, do you not?

A Yes.

Q Did you read a news item on the 13th of June to the effect that they were about to set up a $500,000 extension to their plant in Edmonton so that their facilities might be enlarged?

A That is true. They are a chain packing plant. They may consider this plant needs a little more enlarging.

Q And you think that is because business is bad?

A I would not say what the reason was.

Q Will you just turn to page 2 of section 5 where you are dealing with dressed meats. You refer to the fact that there is a special livestock train leaving Edmonton on Friday night for the British Columbia coast. You

suggest that a similar service should be furnished for meat deliveries?

A I think it would be a good idea.

Q Could you not solve your problem of meat deliveries by simply shipping one day earlier? You say that the difficulty is that cars of meats are sometimes put on this train but the Sunday morning arrival does not help meat deliveries?

A No.

Q Could you not solve your trouble by starting your meat one day earlier?

A That is not the factor. The factor is the meat is one day fresher if it is shipped one day sooner. If it takes one day less in transit it is that much fresher.

Q Does a lot of your meat not have to hang for twelve to sixteen days in any event?

A No, the butchers really do not handle it that way. A day's quicker delivery is quite a factor in the condition of the meat.

Q It is refrigerated the whole way./ COMMISSIONER ANGUS: Q. The train leaves on Friday night. Do you mean that is the only day in the week?

A They have a special stock train then, but they have trains that leave every night.

MR. O'DONNELL: Q. That is for livestock on Friday night?

A Yes.

Q But your meat does not have to travel on the livestock train?

A No, but the railways put it on the livestock train.

Q As Dr. Angus suggests, there is a train every night?

A Yes, and we do ship other nights.

THE CHAIRMAN: What does the word "meat" mean here?

THE WITNESS: We mean beef, any kind of meat, hogs.

THE CHAIRMAN: Pork, too?

THE WITNESS: Yes, any kind of meats at all.

MR. O'DONNELL: Q. Does not beef have to hang before it is used?

A The butchers do not usually hang it. It is usually killed and chilJod and then shipped. It is in refrigerator cars, as you say, but they do not keep it over in Alberta any time like fourteen or fifteen days.

Q Is beef not better for consumption if it is allowed to hang?

A That is what they say, but I do not think the general practice is to hang it very long at all. The general practice is to turn it over pretty quickly.

Q Does Gainer and Company ship their beef fresh?

A Well, it is fairly fresh beef well chilled.

Q Do you suggest that Gainer's beef is fit for consumption the day it is shipped?

A I would say yes.

Q How long would it have been in the plant before shipment?

A Pardon?

Q How long would it have been in the plant before shipment?

A I don't know just the exact number of hours that

it is kept in the coolers, maybe twenty-four hours or so. I am not exactly sure on that point, but it is kept in a really chilled condition.

Q Then you put it into a refrigerated car where it is also really chilled?

A Yes.

Q So it is difficult for me to understand what difference it makes to the dead cow that has been chilled in your refrigerator, and travels in a car that is likewise refrigerated.

MR. FRAWLEY: It might be a steer.

MR. O'DONNELL: Well, a steer. I would hope it might be a steer.

THE WITNESS: For instance, veal would be better if it is fresher. If it is a longer time in transit it loses what they call the bloom. That affects its appearance.

THE CHAIRMAN: Q. Are you only talking about veal?

A Both.

MR. O'DONNELL: Q. In any event, at the present time you have train service every night for your shipments to Vancouver?

A Yes.

Q At the top of page 3 in section 5 of your brief you speak of the situation in Manitoba concerning reduced minimums, and so on. You understand that is due to truck competition?

A Yes.

Q And I put it to you that truck competition in Manitoba in that particular instance is more extensive,

and there is more competition than there is in the situation as it prevails in Alberta?

A Well, that is something that I could not make a statement on because I am not sure, but nevertheless I know that there is livestock coming off the N.A.R. from much further than 200 miles.

Q But you have not looked into the situation?

A But I know there is truck competition exists.

Q A certain amount?

A Yes.

Q It is very limited and the railways do not choose to meet it here in Alberta.

A I won't say to what extent.

Q You don't know?

A But I know there is truck competition.

Q You have not looked into the extent of the competition?

A No.

Q My information is that it is so small that the railways consider that they should not meet it, and therefore they ignore it and do not publish a rate on that. That would be a fair way of putting it?

THE CHAIRMAN: Are you talking of general conditions?

MR. O'DONNELL: In Alberta.

THE CHAIRMAN: In the whole of Alberta?

MR. O'DONNELL: On this particular item. Truck competition does vary in various places in Alberta, but this particular thing Mr. Neale mentions is one where our information is that the truck competition is so small that the railways do not choose to meet it.

Q On the same page in the next paragraph, paragraph 10 on page 3, you say there that special treatment should be accorded packing plants concerning these items that you set out there.

A Yes.

Q Salt for curing hides, and so on. Why do you suggest that the railways should favour the packing houses as against other shippers on those same commodities?

A On the basis of heavy consumption. The railways usually publish commodity rates where there is particularly heavy consumption, either consumption or heavy production.

Q But you would agree that if favoured treatment was given to you that other shippers would expect the same treatment?

A I mean on the basis of heavy consumption, just the same as you do in the case of fertilizer. You give a much lower rate on 80,000 pounds.

Q There may be others who use some of these items, such as wrapping paper, to the same extent or a greater extent?

A If they do use them to a greater extent then it is up to them to make an application.

Q Does that not merely come to this, that the railways will be losing revenue? If favoured treatment is given to you favoured treatment must be accorded to everybody.

A No, that is not my point. What I am getting at is at a point like Edmonton, where there are four or five packing plants, and we are consuming a tremendous amount of salt, and we can maybe stand a minimum of 80,000 pounds, and get regular carloads in at 80,000 pounds, and these

other places like Leduc cannot get carloads in to that extent, I think we should be given consideration.

Q But if you are consuming 80,000 pounds and making all the money that we understand that the packing house industry is making at the present time why do you suggest that these particular items or commodities, for instance, pails or wrapping paper, should be given a better rate in your favour than in favour of other shippers who may be using the same thing?

A Just the same as there are rates for specific industries, just the same as some particular industries where there is heavy consumption or production, have special commodity rates provided.

MR. FRAWLEY: That is a locality proposition, I understand.

THE CHAIRMAN: Is it what?

MR. FRAWLEY: I think it is a locality proposition.

Q. Are you not complaining that certain localities get those things and you do not?

A Yes.

Q It is as simple as that.

MR. O'DONNELL: Q. But you agree that if you get a preference anyone else in the same position should get a preference?

A Sure.

Q And the sum total is that the railway loses that additional revenue?

A I don't know about that because the cars are loaded much more heavily. The cars are loaded on a heavier basis.

MR. FRAWLEY: Winnipeg and Vancouver against Edmonton.

MR. 'O'DONNELL: I would not put it quite that way, shipper against shipper.

MR. FRAWLEY: Locality against locality.

MR. O'DONNELL: Q. On page 1 of your brief you suggest that parity could be achieved?

A What section?

Q Page 1 of your brief, section 5. You make suggestions concerning the theory of parity --

THE CHAIRMAN: Whereabouts on page 1?

MR. O'DONNELL: In paragraph 1, Mr. Chairman.

Q You suggest that parity should be achieved by reducing rates on dressed meats to the basis that livestock moves on. Why would not parity be achieved by raising the livestock rates which have been low for many years?

A Well, I think that you can achieve the same objective by reducing meats. I do not think livestock should be increased.

Q You can get benefit that way, but your suggestion amounts to this, that you are asking for a prefer nce in on livestock at low rates, and you are asking for a preference out on packing house products at low rates?

A No, if you will read the previous part of it you will see what I am really getting at is that on the basis of the present rates it is cheaper to ship livestock than meats.

Q That is because the railways through the years have given the livestock industry considerable benefits, but why, in the condition in which the railways have found themselves in the last few years, should not parity be

achieved, if it were to be accepted as a reasonable thing to do, by bringing the livestock rates up to the rate on meats and making the computation on that basis?

A No, I would not suggest that at all.

Q I have one other question. These rates that you have been talking about, concerning the livestock industry and the packing house industry, were a matter of discussion between the packers and the railways many years back, were they not?

A I don't know that.

Q My information is that the classifications and the rates were discussed between the industry and the railways many years ago, and they have been on the record ever since.

A The thing we are discussing is from the point of view of present day conditions, and what has happened over the years. That is what we are concerned with, present day trends and conditions.

Q And you are speaking for Gainers Limited only; you are not speaking for the livestock industry or packing house industry as such?

A We are speaking for our own particular industry.

MR. FRAWLEY: Not the eastern packers, anyway.

MR. O'DONNELL: Nor any other packers except themselves. Thank you very much.

CROSS-EXAMINATION by MR. COVERT

Q The real point of your brief is that the rates on livestock and the rates on meats are too far apart, and therefore that encourages the packing house industry

to be built up in the larger centres. Is that right?

A Yes.

Q And what you say is not that the livestock rates are too low but that the meat rates are too high?

A Yes.

Q It is true that equalization either way, that is, by bringing the livestock rates up or the meat rates down, would achieve the main purpose that you set out in your brief?

A Yes, but --

Q Am I correct there?

A No, I would like to make this observation. You see livestock actually is subject to a very restricted minimum. Take hogs; they cannot put more than 16,000 pounds in a carload of hogs or 20,000 pounds in a car of cattle, or maybe 10,000 pounds in a single deck car of lambs, and about 15,000 in a double deck car. You see the minimum is quite restricted on livestock. You cannot move livestock any heavier than that, but as for meats in some cases we load cars of meats up to 50,000 and 60,000 pounds, certain types of meats, and with other types of meats we can only load 28,000 pounds. The minimum on meat is maybe 21,000 pounds and we can give them an extra 8,000 or 9,000 pounds. Sometimes we can even give them 50,000 pounds. Therefore I think the meat adjustment would be the proper basis.

Q All I am saying is if you did that it would have the same effect if you raised the livestock rates, but you do not want to put yourself in the position of urging that livestock rates be raised?

A I would not recommend that livestock rates be

increased.

Q I think it is very clear in your brief. The next point is on page 16 of section 4 where you make some observations about Panama Canal competition and trans-continental freight rates?

A Page 16, section 4?

Q That is right, of Exhibit 25. You suggest a very thorough examination of the existence of Panama Canal competition. I take it that is what you are urging there?

A Yes.

Q And you feel that competition is non-existent in many cases; is that it?

A Yes.

Q And I think in your brief you have made reference to the fact that you doubt if there is any competition on perishable goods for example?

A Yes.

Q And you class meats and so on in that category?

A Yes.

Q Have you any information on that to submit to the Commission, or is this an assumption and you suggest that we make the investigation?

A It is an assumption on my part that there is not. Naturally if anyone were shipping meat that way I imagine the steamship companies would have approached us for the business if there had been any ships operating refrigerator service.

Q And on page 21 of section 4 of your brief you refer to the removal of the mountain differential. I take it your main point there is that this decision of the Board is

an example of what changing conditions may bring about?

A Yes.

Q And you aresuggesting that there are changing conditions today which indicate to you that a lot of these what you call anomalies should be ironed out? Is that right?

A Yes.

THE CHAIRMAN: Q. Do I understand then that Mr. Neale has no objection to the removal of the mountain differential? You think it is a good thing?

A Generally speaking I would say it is a good thing. I believe it is a trend in the right direction. I think it is recognition that these different structures should be levelled off.

MR. FRAWLEY: I think it might not be inappropriate for me to say briefly that in this province it was the unanimous opinion that the mountain differential should come off. The only objection was that it came off before the long and short haul violations were disposed of,and that created an inter-period which we thought might be detrimental to some of our industries. That was the farthest we went in taking any exception to the removal of the mountain differential.

THE CHAIRMAN: Is that period still going on?

MR. FRAWLEY: Yes, because the mountain differential is coming off in July and we still have not the long and short haul violations disposed of.

COMMISSIONER ANGUS: Does that mean that you wanted the mountain differential to disappear only on condition that these other things should disappear, too?

MR. FRAWLEY: No, we did not go that far. We were wholeheartedly in support of the application, but we simply pointed out it would have been better for our province if it had been done in the course of a general readjustment of the structure.

MR. SINCLAIR: I should like to say that my learned friend, Mr. Frawley, used the term "violations" in referring to the long or short haul principle. They are not violations in the legal sense because provision is made for them in section 314(5) of the Railway Act. I think he should not use the word "violations" unless he is basing his statement on some moral ground or some other ground .

MR. FRAWLEY: I not only use it but I repeat it, and I will continue to repeat it to the end of the piece. In my submission -and I do not think it is the time for my submission now - I do say they are violations, because the feeble conditionsin section 314 were not complied with. They are not at all sufficient, but feeble and imperfect as they are they were not met by the carriers, and so I say there have been right now violations of section 314, but we are a long way from the time to argue.

MR. COVERT: Q. In section 5 of your brief, No. 6, commencing on page 2--

THE CHAIRMAN: Where is this?

MR. COVERT: Section 5 of the brief.

Q It seems to me that here you really get down to the basos where you are talking of equalization of rates and you say it should be the same all over Canada. I take it that is the general principle?

A Yes.

Q If you go back to paragraphs 3 and 4 on page 1 of section 5 of your brief, are you not asking for something entirely different from equalization there?

A You see basic rates, like class rates, should be on that basis. What we work from to start with should be on that basis.

THE CHAIRMAN: Q. What is that?

A What we start with is really - on the tapering principle what we say in No. 6 here is that would be like the foundation.

MR. COVERT: Q. In other words, you start out with a foundation of equality?

A That is right.

Q But you get away from that on commodity rates?

A When you start looking for the primary industries you start --

Q That is what I am coming to. What you say is that the basis of equality disappears if it is necessary to encourage an industry in a place which you say is the logical place for it to be encouraged, or to be set up?

A For instance, where there is a pulpmill or a copper mine, or livestock production, then you start making your commodity rates from there.

Q That is why you advocate a special - perhaps I should not say "special", but lower rates on meat?

A Yes, because we figure Alberta is an agricultural province.

Q You say that is where the meat packing industry should be?

THE CHAIRMAN: Q. That means low rates on meat

out of Edmonton, does it?

A Yes.

MR. COVERT: Q. What effect, would that have on established meat packing businesses all across the country?

A At the present time I do not think it would have any bad effect on them really, because you take a place like Vancouver whose population has increased tremendously in the last ten years, or take Toronto and Montreal whose populations are increasing anyway; possibly that would offset any factor by which they would be affected in any way.

Page 2179 follows

Q. It would, then, seem to me, on the face of it, that there is X dollars of business today done in the packing industry in the country; and if you bring it to Edmonton, then there is going to be less in the other places, and it would affect those industries, substantially, which are already set up?

A. I do not think I would say that, because I believe, where the industries are largely located, they should grow in proportion to the development of the agricultural resources. So, at Edmonton, if there is more livestock production at Edmonton, then the plants should grow in proportion to that production.

COMMISSION INNIS: Q. Would you go so far as to say, Mr. Neale, that this would be followed by an improvement in the livestock industry?

A. I think it would help the farmers to some extent, because, actually, when you ship livestock there is that shrinkage of meat and somebody has got to pay for that. It should help the farmers, and possibly the consumers, because it would have a tendency, where this livestock is shipped out, somebody has got to pay for it, and it usually ends up that the consumer is paying for it in the overall picture.

Q. Then you would not go so far as to say it would meet the problem which Mr. Covert proposes?

A. What was that, please?

Q. Supposing there was only a certain amount of livestock to go around, do you propose to say, that if there is a qualified increase in the livestock population, it would mean that all plants would have more than enough?

That was your point, Mr. Covert, was it not?

MR. COVERT: Yes. Perhaps I might repeat it. Let us say there was $1,000,000 worth of business, and that business was distributed among the packing plants across Canada. I take it that, if your ideas were followed, Edmonton would really become the packing house centre in Canada?

THE WITNESS: It would become one of them.

MR. COVERT: Q. Yes, or the province of Alberta?

A. Yes.

Q. Then surely, there must be less business for the packing house centres in Vancouver, Toronto, Winnipeg, and so on, or else there would be more than $1,000,000 worth of business gone across the board. As I understand it, Dr. Innis asked: Do you say that if your suggestion is followed, namely, the fixing of the rates to encourage an industry in Alberta, would that mean that there is more business in Canada?

A. I do not know if it would mean more business in Canada, but it might mean a heavier processing in Alberta. It would mean a heavier processing of our natural secondary industry in Alberta.

Q. I was trying to get what the effect would be on the already established industries?

A. I do not think there would be any effect at all. I think there are suggestions showing that the packing house industry is a very vital part of the total Alberta manufacture. But compared to Eastern Canada it is a comparatively insignificant part of their total industrial production.

MR. COVERT: That is all, thank you.

THE CHAIRMAN: Very well, Mr. Frawley.

MR. FRAWLEY: Q. Mr. Neale, do you know if there is a packing industry down in Truro, Nova Scotia?

A. I think so.

Q. And do you know if, sometimes, Alberta steers go as far as Truro to be processed?

A. I have never heard of that.

Q. They do go to west Toronto, though?

A. Yes.

Q. Perhaps some of that business down there should rightly stay in Alberta?

A. I think so. That is my point.

MR. NOLAN: Mr. Chairman, I now tender as exhibit 25, all that portion of the submission, or brief, of Gainers Limited, except section V, which has already been read into the record.

EXHIBIT No. 25 filed by Mr. Nolan: The brief of Gainers Limited, except for section V.

MR. COVERT: The next submission, Mr. Chairman, will be that of Alberta Associated Chambers of Commerce and Agriculture, which is No. 11 on the list.

MR. NOLAN: I call Mr. Martin.

MR. FRAWLEY: Mr. Martin is coming from Red Deer, and I do not think he is here yet.

MR. COVERT: Well then, if that be the case, we might have the submission of Jasper Chamber of Commerce.

THE SECRETARY: Mr. Chairman, I think this brief will have to be left to one of the local secretaries of the Chamber of Commerce who will read it.

MR. COVERT: Yes, Mr. Chairman, he is here.

MR. NOLAN: I call Mr. McKay.

DONALD K. McKAY, called

MR. NOLAN: Q. Mr. McKay, what is your full name?

A. Donald K. McKay.

Q. And you are secretary of - -

THE CHAIRMAN: We are going on with the Jasper submission?

MR. NOLAN: Yes, Mr. Chairman, it is No. 12 on the agenda, the submission of Jasper Chamber of Commerce.

THE CHAIRMAN: Very well, this is the Jasper submission. I notice that the heading of this brief is addressed to the Board of Transport Commissioners.

MR. NOLAN: I think that is just an error, Mr. Chairman. I am quite sure that it is intended for this Commission, and I feel that I know that because Mr. McKay is secretary of the Edmonton Chamber of Commerce, and the circular was sent out to Boards of Trade and Chambers of Commerce in the northern part of the province, asking if they had any submission to make to the Royal Commission, and advising them when the sittings would be held. So we assume, and quite properly, that this is a result of that communication to them.

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EXAMINED BY MR. NOLAN

Q. Now, Mr. McKay, you have received a communication from the Jasper Chamber of Commerce?

A. That is correct, sir.

Q. It is in the form of a letter

A. Addressed to the Board of Transport Commissioners.

Q. And what is the date of it?

A. June 8, 1949.

THE CHAIRMAN: Q. Would you please tell me your name?

A. Donald McKay.

MR. NOLAN: Q. Would you please read the letter into the record?

A. June 8th, 1949

The Board of Transport Commissioners,
Edmonton Sittings,
Edmonton, Alberta.

Sirs:-

We the Jasper Chamber of Commerce protest the recent increases in Freight and Express Rates for the following reasons:-

Whereas: Prior to the increase the rates on Freight and Express were:

	1st Class	2nd Class	3rd Class	4th Class
Freight:	.98¢	.81¢	.65¢	.48¢
Express:	$1.13¢	[illegible]¢	.75¢	.55¢

Special Small Lot Express Rates:

1 to 10 lbs.....Postal Rates, 11 to 25 lbs.....60¢

26 to 50 lbs....65¢. 51 to 75 lbs....75¢ 75 to 100 lbs... 1.13,

with a minimum charge of .50¢

Whereas: The present rates on Freight and Express are:

	1st Class	2nd Class	3rd Class	4th Class
Freight:	$1.37	$1.13	.91¢	.68¢
Express:	$1.37	$1.13	.91¢	.67¢

1 to 25 lbs....Postal Rates, 25 to 100 lbs. graduated until it reaches the minimum per 100 lb. rate, with a minimum of .75¢ per shipment.

We therefore submit that the increases shown above are greatly in excess of the 21% authorized as several of the former rates i.e.: in Express Rates have been totally ignored and as most Express shipments come under the ignored classifications as to weight, charges over and above the 21% increase occur. The increased rates are based on rates in effect before the Truck Competitive Rate was set up and totally ignore the rates in effect when the 21% increase was allowed.

We also protest the setup of the rates structure which makes the transportation of petroleum products cost more per barrel in Tank Car shipments to Jasper than it does to Vancouver, from Edmonton. The price per Barrel in Tank Car shipments, Edmonton to Jasper works out at about $1.87 per Barrel. Mr. Hewettson of the Imperial Oil Ltd ---

MR. FRAWLEY:Q.Mr. Hewettson is the President of Imperial Oil?

A. President of Imperial Oil.

MR. O'DONNELL: Chairman of the Board.

MR. FRAWLEY: Chairman of the Board.

THE WITNESS: Chairman of the Board now, sir. Mr. Hewettson of the Imperial Oil Ltd. claims the rate to Vancouver from Edmonton on similar shipments works out to $1.35 per barrel. This seems out of line, when the distance

to Vancouver is three times as great as it is to Jasper. In brief we believe the Spokane Principal of Rates, for greater equalization of rates, should be adopted.

We also submit that the bulk of express and some freight shipments are being charged at 1st Class rates irrespective of the Class of Merchandise shipped. This may appear to be the responsibility of the shipper but the Railway Companies seem to be constantly on the look out for an increase of Freight rates where such may be applicable even though the shipper has designated a lower classification.

The above is respectfully submitted for your information and investigation.

This copy, sir, is signed by Mr. W. L. Yorke, President of the Jasper Chamber of Commerce.

THE CHAIRMAN: Any questions from Mr. McKay?

CROSS-EXAMINED BY MR. O'DONNELL

Q. Mr. McKay, are you familiar with the data in this brief, or have you just read it at the request of the Jasper Chamber of Commerce?

A. I have read it at the request of the Japper Chamber of Commerce, and I had no part in their deliberations when it was prepared.

Q. So you do not know whether the statements in it are accurate or not?

A. I would say that I do not know from what they prepared the material.

MR. O'DONNELL: Well, I think it might save time, my lord, if I just made the few remarks that we have to make on that.

Referring to the rates which are set out at the top of the page, the first rate, for instance, freight 98%, all those rates are truck competitive rates, and they were increased pursuant to the authority of the Board by 21%, and by the further amount that the railways had considered proper in the circumstances. That was done in virtue of ---

THE CHAIRMAN: That is, you removed some of your competition, did you?

MR. O'DONNELL: Well, we considered that the competition possibly did not warrant the rate, and that the rate could be increased in accordance with the Board's authority and permission.

THE CHAIRMAN: On to that you added the 21%?

MR. O'DONNELL: Well, I do not know what the mathematical mechanics were. The 21 per cent may have gone on first and then the 15 per cent later; I think that is the way it was done.

MR. EVANS: The 21% went on after the Board's order of April 1948.

THE CHAIRMAN: On to what?

MR. EVANS: On to the existing rate.

THE CHAIRMAN: On to the 98¢?

MR. EVANS: Yes; and then in September, as a result of a study that was undertaken on rates, a further 15% was added to competitive rates.

THE CHAIRMAN: That was a lessening of the competitive rate.

MR. O'DONNELL: An increase in the rate by reason of the lessening of competition; and it was done, my lord, in virtue of paragraph 2 of Order No. 70425 of the Board

of Transport Commissioners dated March 30, 1948, which reads:

"2. Competitive rates below normal rates established to meet motor truck and/or water competition or other form of competition may be adjusted within the discretion of the railway companies and the express companies concerned in accordance with the situation existing prior to issue of Order No. 69612, dated October 17, 1947."

And that adjustment was made.

MR. FRAWLEY: Mr. O'Donnell, you are assuming that these are rates, from Edmonton; the brief does not say so.

MR. O'DONNELL: That is what I am assuming, yes.

As of the 1st of July, my lord, those rates will become as follows: in the second series, the $1.13 and so on, the first rate will become as of July 1, 1949, $1.19 -- if you might put a third line across there -- the second class will become 98¢, the third class will become 79¢, and the fourth class will become 58¢.

THE CHAIRMAN: From what date?

MR. O'DONNELL: As of July 1, 1949, according to my information. As I have already pointed out, the Board's authority applied both to the railway companies and the express companies; they were joint applications in that connection.

THE CHAIRMAN: By what action will this reduction take place on July 1?

MR. O'DONNELL: By reason of the removal of the mountain differential; that is the adjustment which will be made as of that date.

Now, there is just one other paragraph to which I might direct attention, and that is the protest concerning petroleum products. My information is that the factual data there is not correct. It occurs to us that the Jasper Chamber of Commerce may not have understood what Mr. Hewittson was saying, and that possibly Mr. Hewittson was speaking of crude oil and not of petroleum products, and the classification is entirely different, because the petroleum products rate is not as set out in the figures here at all. The petroleum products rate, Edmonton to Jasper, is 62¢ per hundred pounds; Edmonton to Vancouver is $1.36 per hundred pounds. The tariffs are C.N.W. 300-E -- that is containing the Jasper rate of 62¢ a pound -- and tariff C.N.W. 200-G, containing the Vancouver tariff. We think that the confusion comes about by reason of the fact that Mr. Hewittson may have been speaking of crude oil, which is a different classification from petroleum products.

THE CHAIRMAN: The $1.87 becomes what

MR. O'DONNELL: $1.87, Edmonton to Jasper, 62¢ per hundred pounds instead of $1.87.

MR. FRAWLEY: Oh, no; this is a barrel figure.

MR. O'DONNELL: No; the hundred pound rate is as I give it; I have not figured the barrel.

THE CHAIRMAN: What does a barrel weigh?

MR. EVANS: 336 pounds was shown in some other brief that I recall as the weight of a barrel of oil.

THE CHAIRMAN: Then, if a barrel weighs 336 pounds, at $1.87, you give us a figure for 100 pounds at what rate?

MR. O'DONNELL: 62¢, my lord.

MR. FRAWLEY: 280, my lord, I am told, is the correct weight per barrel of gasoline, and if they are talking of gasoline ---

MR. O'DONNELL: That is where the confusion may come; but we do, know my lord, that the petroleum products rate -- and that is what is being spoken of there -- is what I have given.

THE CHAIRMAN: The question is whether the rate is a lesser rate at 100 pounds at 60-some cents; 300 pounds would be $1.80.

MR. O'DONNELL: Yes, but the point I am making is that the rate from Edmonton to Jasper is certainly less than the rate from Edmonton to Vancouver, and as the brief sets it up it is the reverse, which is wrong.

THE CHAIRMAN: It is certainly less?

MR. O'DONNELL: Yes. Edmonton to Jasper is only 62¢ per 100 pounds, and Edmonton to Vancouver is $1.36. That is all we are pointing out. So there must be some mistake there somewhere. I have not figured it out just exactly.

THE CHAIRMAN: You are giving it per 100 pounds in both cases.

MR. O'DONNELL: Yes, my lord. Whatever the barrel weighs, it certainly cannot be higher from Edmonton to Jasper than it is from Edmonton to Vancouver.

Now, as to the last remark there, in the closing paragraph concerning over-charges, well, that is rather difficult to understand, and if any overcharge is made, it is refundable, that is all; the tariff prevails, and it is up to the shipper.

Then the closing words are "even though the shipper has designated a lower classification." Well, the shipper cannot designate a lower classification than the tariff calls for. The tariff prevails. If he is overcharged he is entitled to a refund, and the railways are constantly making refunds; they have a staff which is doing nothing else but doing those things, and making refunds wherever they find them necessary.

Thank you very much, Mr. McKay.

THE WITNESS: Thank you.

(The witness retired.)

THE CHAIRMAN: What is the name of the presentation of the Alberta Associated Chamber of Commerce and Agriculture?

MR. COVERT: The witness is not here.

MR. NOLAN: Sir, the gentleman who was to present it, Mr. Martin, lives in Red Deer, and he has not yet arrived.

THE CHAIRMAN: When will he arrive?

MR. NOLAN: Well, he was warned to be here, and we are expecting him any moment, sir. A telephone call has been put in for him.

MR. FRAWLEY: He wrote to me, my lord, and asked if he could come on the 17th rather than on the 16th, and I presumed to tell him that he could, but this is now noon of the 17th, and he should be here. Probably he is counting on getting here for the afternoon session, sir.

THE CHAIRMAN: Well, we have only ten minutes left this morning, so we will take something else.

MR. COVERT: There is No. 13, the Waterways -

McMurray Chamber of Commerce.

MR. NOLAN: That, my lord, is in the same position as the Jasper Chamber of Commerce. A communication has come down addressed to the Royal Commission, and I would ask Mr. McKay to come forward and please read that brief into the record. It is No. 13 on the agenda, from the Waterways-McMurrary Chamber of Commerce.

DONALD McKAY, Recalled

MR. NOLAN: Perhaps you will just read that, will you, Mr. McKay.

THE WITNESS: To: The Royal Commission on Transportation.

Submission by: The Waterways-McMurray Chamber of Commerce.

Gentlemen:

We respectfully submit our brief herewith for (a) the lowering of rail and air rates between McMurray and Edmonton, and (b) the building of a road which would give us an outlet to the outside for trucks and cars.

The industrial potentialities of this Northern part of the Province of 'lberta are great. We know, however, that until we have a better, cheaper and more competitive mode of transportation development will be almost impossible.

Should a member of your Commission visit McMurray he would find that, -

(1) Within the surrounding territory we have an inestimable reserve of oil in the form of tar sands; the salt beds at Waterways extend over a large area and are quite close to

the surface of the ground and the salt obtained is 99% pure; thousands of acres of commercial timber are readily accessible to the railway. The development of all this depends on cheap transportation to market.

(2) The Dominion Government has spent millions of dollars on the Northern water system for docking facilities, dredging and transportation equipment, to service in part the mining companies which are developing the almost untouched mineral reserves, particularly uranium which is vitally important in our modern age, The only link between this Northern navigation system and the outside is a single track rail line to Edmonton via Lac La Biche.

(3) The railway company gives us only one first class train a week for passenger, express and parcel post. The airline gives a daily service but it is too expensive for all except urgent needs.

(4) Both rail and air charges are much higher from Edmonton to McMurray than from Edmonton to points on the main lines over a comparable distance which have road competition.

(5) The salt plant operating here is at a distinct disadvantage because of the high cost of freight on coal shipped in and salt shipped out.

We urgently invite a member of the Commission to come to McMurray and see for himself the tremendous undeveloped resources of our country and how development is being retarded by our lack of cheap, competitive transportation with the outside.

Respectfully submitted

by George W. J. S. Milne.

MR. COVERT: Mr. Nolan, is there any witness who is capable of being questioned?

MR. NOLAN: No one came down; this was sent by mail, and arrived just a few days ago. There is no one here.

MR. FRAWLEY: Probably by air mail.

MR. O'DONNELL: I might merely make this observation, my lord; my information is that the rail charges are the same in that area as they are elsewhere. The prairie scale applies by virtue of the Order of the Board of Transport Commissioners which was enacted some five or six years ago. My information is that there is traffic there really only a very few months in the year, that there is no road competition, that the rate on coal, to which reference is made, is the same there as it is elsewhere on the Northern Alberta Railway, and the rate on salt the same as other shipping points in Western Canada.

COMMISSIONER INNIS: How much time does it take to come down from Waterways to Edmonton now?

MR. FRAWLEY: By train?

COMMISSIONER INNIS: Yes.

MR. FRAWLEY: Northern Alberta Railways are doubl~~ed~~y represented here.

MR. O'DONNELL: Unfortunately I have not got the time table with me; we can get that.

MR. FRAWLEY: It used to take about a day and a half, sir; the only time I went, it took about a day and a half.

THE WITNESS: I would say about a day and a

half, as Mr. Frawley has pointed out.

MR. O'DONNELL: And by air:

MR. FRAWLEY: They used to stop all night at Lac La Biche at one time. Have they eliminated that

THE WITNESS: I don't know, sir.

MR. O'DONNELL: That was for fishing purposes; but there is an air service.

THE WITNESS: There is an air service.

MR. EVANS: There is a time table in Folder A, published by the Canadian Pacific. There is a train daily except Saturday, leaving Edmonton at 5:10 p.m., which apparently travels all night, and arrives at Grande Prairie at 11:50 p.m., and Dawson Creek, which is 495 miles from Busby, and apparently something over 500 miles from Edmonton, at 4:20 p.m., that is to say about 23 hours. Then there is a train apparently on Monday, Wednesday and Friday from Edmonton to Busby and Bar Head, and similar trains in the reverse direction.

COMMISSIONER INNIS: What about Waterways?

MR. EVANS: Edmonton-Waterways, there is a train which I think goes one way on Wednesday and back on Saturday. It leaves at 10:50 a.m. from Edmonton and arrives at Lac La Biche at 4:50 p.m. Then there is a connection there for Waterways. Then there is Edmonton-Lac La Biche, Monday, Wednesday and Friday, leaving Edmonton 10:50 a.m. and arriving at Lac La Biche 4:50 p.m., a distance of 132 miles.

COMMISSIONER INNIS: How far is it to Waterways from Edmonton?

MR. EVANS: To Waterways from Edmonton, 304.7 miles.

THE CHAIRMAN: We will adjourn until half-past two.

---The Commission adjourned at 12.56 p.m. until 2.30 p.m.

(Page 2200 follows)

Edmonton, Alberta,
June 17, 1949

AFTERNOON SESSION

--- The Commission resumed at 2.30 p.m.

THE CHAIRMAN: All right, Mr. Covert.

MR. COVERT: Before the next submission is taken up, Mr. Evans wishes to put something on the record.

MR. EVANS: In view of the discussion with the witness from Gainers Limited about loans this morning --

THE CHAIRMAN: And the guaranteed loans.

MR. EVANS: Yes. I did not want to leave the Commission under the impression that there were no loans. I was only dealing with the amount of $60,000,000 that the witness was dealing with. There were in fact unemployment relief loans made.

THE CHAIRMAN: At the same time?

MR. EVANS: No. At various times during the depression the government was trying to persuade us to give employment and to keep shops open to do work, and loans to the extent of about $20,000,000 in round figures were made from time to time for that purpose.

THE CHAIRMAN: Are they repaid?

MR. EVANS: They were all repaid except about $1,447,000 which is not yet due. They were all of the same character, purchases of equipment to give employment, and various kinds.

MR. COVERT: The next submission is that of the Alberta Associated Chambers of Commerce and Agriculture.

MR. NOLAN: I will call Mr. James Martin.

JAMES MARTIN, Called

EXAMINED BY MR. NOLAN:

Q What is your name, please?

A James Martin.

Q What is your position with the Alberta Associated Chambers of Commerce and Agriculture?

A A member of the Red Deer Board of Trade, and associated with Alberta boards and chambers of commerce and agriculture.

Q Are you the chairman?

A Chairman of the Freight Rates Committee.

Q Please tell the Commission in a word what is the nature of the Alberta Associated Chambers of Commerce and Agriculture?

A The Associated Chambers of Commerce and Agriculture consist of local memberships of boards of trade and chambers of commerce of Alberta banded as a provincial organization.

Q It is an association of all the chambers of commerce and boards of trade in this province?

A That is right.

Q And it comprises over ninety of those bodies?

A Over ninety bodies.

Q Can you tell me what the membership is?

A No, I am sorry, I cannot.

Q It includes the Edmonton Chamber of Commerce and the Calgary Board of Trade?

A Yes.

Q But you are not speaking for them today?

A No.

Q Because they made a submission of their own in

Calgary?

A Correct.

Q So your submission is on behalf of the other members of your organization which has associations in all the cities, towns and many of the villages in Alberta?

A Yes.

Q And a brief has been prepared?

A Yes, sir.

Q Will you be good enough to read it, omitting the reference to the order-in-council creating the Royal Commission, and to the table about which we spoke during the adjournment?

A Yes.

Mr. Chairman and Commissioners: the Alberta Associated Chambers of Commerce and Agriculture, a provincial organization, composed of over ninety Boards of Trade and Chambers of Commerce, welcomes this Commission. Further, we would thank you now for the opportunity of appearing before you with this very brief submission.

Our interpretation, Mr. Chairman and members of the Commission, is that the scope of your inquiry is a broad one, and a Commission on such terms is indeed welcomed by our organization.

Our provincial organization of Boards of Trade and Chambers of Commerce has in its membership all the larger urban communities, and a large number of smaller ones. Calgary and Edmonton being the two largest urban centres and large distributing points of producer, as well as consumer goods, are making a submission on their own behalf. We are further advised that certain other of our

urban communities in our province and members of our organization are likewise making their own submissions. However, there are many other centres who, although not organized at the present time to make a presentation on their own account, have at least a comparative interest in our province and its economy. This submission, therefore, while representing the provincial organization, is primarily intended to speak for the ordinary business man, producer or consumer in the average urban or rural community in Alberta, which community is associated with our province-wide association of Boards of Trade or Chambers of Commerce.

Page 2205 follows

OUR PROVINCE.

Alberta is growing in stature. Undoubtedly, in time, besides further increasing its agricultural production, many new industries will come to our province, all of which will further increase the total production of Alberta, especially in consumer goods. However, in our opinion, we are as yet essentially agricultural, and keeping in mind that this submission is representative primarily of the large number of smaller communities in the province, our chief references will be to Alberta's agricultural production of basic raw materials for domestic consumption within Canada's boundaries or for export out of our Dominion.

According to Alberta Government statistics, the cash value of agricultural production over the last three years is as in the schedule immediately below.

	1946	1947	1948
Wheat	$152,000,000	$139,650,000	$152,950,000
Grains (not wheat)	91,000,000	135,009,000	125,787,000
Livestock Products	90,000,000	91,063,000	140,242,000
Dairy Products	36,698,000	46,811,000	56,117,000
Poultry Products	21,514,000	21,059,000	24,675,000
Other Farm Products(est)	30,000,000	42,285,000	45,528,000
	422,117,000	475,877,000	545,299,000

This schedule is given merely to show the increase over the last three years.

As previously mentioned, although we are anticipating considerable development of secondary industries, you will note our very large agricultural production, quite a large

percentage of which has to find a market outside our province. Transportation, its cost, and the fairness of that cost, in relation to cost of production and in relation to freight costs, in other parts of Canada and competitors for markets, are prime considerations to us.

WHAT FREIGHT RATES MEAN TO ALBERTA

Our province is an inside province. It is without water connections, and there are very few other, if any, effective methods of transportation. Our province, therefore, is almost entirely dependent on the railways for the transport of all products in and out. These physical and/or geographical peculiarities of our province should be taken into consideration. They increase the importance of freighting costs which, in turn greatly influences our overall economy.

The cost of moving goods out of our province generally constitutes a deduction to the grower. On the other hand, the cost of finished goods coming into our province is generally on the basis of outside prices, plus the cost of transportation in, which adds to the cost of living. These, in themselves, possibly cannot be too strongly excepted to if there is parity, one part of our country with another. Our comparison on this feature clearly indicates to us that there is not a fair comparison and that Alberta, for various reasons, is subject to higher than average freight costs. We are not intending at this time to make specific reference to all the rates that are, in our opinion, in disharmony with similar movements in other parts of Canada; however, perhaps we may be permitted to mention the different types of rates that

do constitute extra cost to our communities. Here are some sample cases.

1. Class rates, to, from and between points in the province are generally higher than in Eastern Canada.

MARITIMES

St. John, N.B. to Sydney, N.S., 431 miles, 5th class - 47 cents per cwt. Tariff C.N.R. 19-1 CPC 3901.

EASTERN CANADA

Ingersoll to Montreal, 439 miles, 5th class - 59 cents per cwt. Tariff C.P.E. 2180 C.P. C.E. 3220.

PRAIRIE TERRITORY

Calgary to High Prairie, 438 miles, 5th class - 79 cents per cwt. Tariff C.P.W. 790, C.P.C.W. 3767.

PACIFIC TERRITORY

2. The rates to and from points in British Columbia are higher than rates on the rairies or in Eastern Canada, due to the "Mountain Differential." Example:

I will add here that these rates quoted will be reduced on July 1st.

Vancouver to Red Deer, 736.4 miles, 1st class rate - 2.93 per cwt. (C.P. 790-A)

Brandon to Red Deer, 728.5 miles, 1st class rate - 2.50 per cwt. (C.P. 170D).

3. Commodity rates from Eastern Canada to the Pacific Coast terminals, Vancouver, Victoria, New Westminster and Prince Rupert, are lower in many instances than the rates on the same commodities from Eastern Canada to Alberta points, although such freight must pass through Alberta points enroute. Such commodity rates to the Pacific Coast also provide many mixing privileges not presently available

in Alberta. Example of two rates:

Toronto to Vancouver, barbed wire, all rail, 1.51 per cwt. (C.F.A. 1-H).

Toronto to Calgary, barbed wire, all rail, 2.39 per cwt. (C.F.A. 5-H).

4. Distributing class rates in Western Canada are applicable only on outward movement from certain specified distributing centres, the number of which are very limited; whereas the comparable Town Tariff rates in Eastern Canada are applicable in either direction as well as from or to a great many cities and towns. Example:

Winnipeg to Red Deer, 838.7 miles, rate - 2.65 per cwt.

Red Deer to Winnipeg 838.7 miles, rate - 3.16 per cwt.

Edmonton to Grande Prairie, 419.0 miles, rate - 1.66 per cwt.

Grande Prairie to Edmonton, 419.0 miles, rate - 1.96 per cwt.

THE CHAIRMAN: Q. You say:

"Distributing class rates in western Canada....."
I take it that you mean the three provinces of Manitoba, Saskatchewan and Alberta?

A. Yes.

Q. You do not mean British Columbia?

A. No.

A study of C.P. tariffs W.790 and CN-W-235-C will produce many more similar examples.

5. Rates on grain from prairie points to B.C. coast points for domestic consumption are higher than rates on grain to the same points for export; whereas, rates on grain from prairie points to Fort William are the same for export

or domestic consumption.Example:

CP W.819-CTC.3810

Calgary to Fort William, 1242.0 miles, export 26 cents per cwt.

Calgary to Fort William, 1242.0 miles, domestic 26 cents per cwt.

CP W.778-CTC,3748

Calgary to Vancouver, 641.5 miles, export 20 cents per cwt.

CP W.849 - CTC. 3855

Calgary to Vancouver, 641.5 miles, domestic 41½ cents per cwt.

6. The long and short haul clause of the Railway Act has too liberal an interpretation; therefore, resulting in too many higher rates for shorter distances than for the long distances over the same route, which results in a discriminatory condition to many of the smaller cities and towns. Example:

Calgary or Edmonton butter rate to Vancouver $1.66 per cwt.

Red Deer butter rate to Vancouver - $1.89 per cwt.

Alix butter rate to Vancouver - $1.75 per cwt.

Butter originating in Edmonton shipped by C.P.R. passes through Red Deer, and butter originating in Calgary and shipped by C.N.R. also passes through Alix, a longer haul in each case of approximately 100 miles at 9 cents to 23 cents per 100 lbs. cheaper in rate.

The above samples could be expanded on if necessary; however, we trust that they may be sufficient in pointing out the rates we are charged with in Alberta as against

rates for similar movements in other parts of Canada.

OUR RECOMMENDATIONS

1. On Rates Within the Province.

We believe that freight rates within the province should be established on the basis of complete uniformity, one community to another, and adopting the same principle and rates as in the town tariffs.

2. On Movement Out of the Province.

We would have rates that nearly as possible establish equality between the competing communities in our province for one market, and on a competitive level with other provinces competing in the same or similar markets.

3. That every consideration be given our province in the matter of export rates, it being an inside area and with no visible or anticipated competing form of transportation.

To accomplish the above, we would respectfully recommend the following:

(a) A more uniform basis of constructing rates than there has been, and this Canada-wide.

(b) That these rates be effective on a two-way basis, with the same rate applying either way.

(c) As the distance increases, a uniform tapering of rate tolls be instituted.

(d) Except for very exceptional cases, the rate for a shorter haul cannot be greater than a rate for a longer one.

On export rates, agreed charges, subventions and mixing privileges. We are grouping these. Our opinion on them in each case is the same, and is as follows.

Heretofore, either visible rate competition or competition from other sources, apparently was the means of

establishing the necessity for good export rates, reasonable agreed charges rates, mixing privileges. In the future, we suggest they be on a basis of equality with other parts of Canada where conditions are similar.

In conclusion, may we be permitted to pass this observation. Canada has some large urban communities and they serve a very useful purpose in our country's economy. In addition, other smaller urban communities are growing into much larger centres. They, too, serve a purpose.

Notwithstanding the above, we are of the firm opinion that there are many small urban communities in our province that have much to offer, and especially to industry.

Our freight rates structure of the future should be so constructed that there be more equality of opportunity and advantage, the smaller urban community with the larger ones. Freight rates have such an important bearing on the development of our country, and their influence will be very great as it pertains to the point of location of the many, many new industries that will come to Alberta, and the opportunities and cost of living in these communities. Alberta, to grow as it should, must have equality in transportation costs, without and also within. Reasonable freight rates in any part of Canada contribute greatly to its growth, likewise higher than average rates, or unequal ones, retard normal development.

All of which is respectfully submitted on behalf of our association, by the Special Freight Rates Committee set up for this purpose.

Jas. Martin, Red Deer, Chairman,

Wesley H. Jackson, Lacombe, Member.

M. M. Cunningham, Red Deer, Member.

THE CHAIRMAN: Are there any questions?

MR. O'DONNELL: I have not any questions, Mr. Chairman, other than to indicate that I think this brief is of the same nature as some of the others we have had. The rates whichare set out on page 4 are, in the first instance so far as the Maritimes are concerned, governed by the Maritimes Freight Rates Act; and the rates in respect to eastern Canada, by reason of water competition, are influenced by water competition. And as Mr. Martin has already pointed out, the Pacific territory rates will change, as of the 1st of July, with the removal of the mountain differential.

The rate at the top of page 5, that is a transcontinental rate which also is influenced by water competition. And as to distributing class rates, I won't say anything about them, because the Commission has already heard of them and of the mixing privilege.

As to the grain rate, the rate on grain referred to in paragraph 5, the rates from prairie points to Fort William are Crows Nest Pass rates; and the rate from prairie points to British Columbia coast points is governed by general order No. 448 of the Board of Transport Commissioners, which issued on the 26th of August, 1926, and whi h is to be found reported in 17 J.O.R.R. particularly at page 295, where the Board orders:

"The Board orders as follows, namely:-

1. That the rates on grain and flour from all points on Canadian Pacific branch lines west of Fort William to Fort William, Port Arthur, and Westfort, be equalized to the present Canadian Pacific main line basis of rates of

equivalent mileage groupings (the rates governed by the Crowsnest Pass agreement not to be exceeded): That the Canadian Pacific Railway Company publish rates in accordance with the above direction, and that all other railway companies adjust their rates on grain and flour to Fort William, Port Arthur, Westfort, and Armstrong to the rates so put into effect by the Canadian Pacific Railway Company, such changes to become effective on the 12th day of September, 1927.

2. That the rates on grain and flour from prairie points to Vancouver and Prince Rupert for export shall be on the same basis as the rates to Fort William, but in computing such rates, the distance from Calgary to Vancouver via the Canadian Pacific Railway shall be assumed to be the same as from Edmonton to Vancouver via the Canadian National Railways, namely, 766 miles."

THE CHAIRMAN: It is shorter?

MR. O'DONNELL: Yes, it is a shorter mileage which is taken. That is the order which governs.

THE CHAIRMAN: Just before that first part?

MR. O'DONNELL:

"That the rates on grain and flour from prairie points to Vancouver and Prince Rupert for export shall be on the same basis as the rates to Fort William......"

THE CHAIRMAN: What about the 130 constructive mileage?

MR. O'DONNELL: That is another thing.

THE CHAIRMAN: It is taken off?

MR. O'DONNELL: Yes, it is another.

THE CHAIRMAN: And there is another expenditure

added for shipment from Calgary to the Coast?

MR. O'DONNELL: The rate from prairie points to the Coast must be the same as the rate from prairie points to Fort William. The assumed mileage is in both.

THE CHAIRMAN: I understand that. But is that constructive mileage reduction of 130 miles taken into account?

MR. O'DONNELL: My learned friends say that it may not be, in regard to the grain rates.

THE CHAIRMAN: So you do not know whether it is or not?

MR. O'DONNELL: I do not, offhand. I assumed that it was, because I thought that Winnipeg had that benefit on any shipment through Winnipeg to Fort William, and that the assumed mileage came into play.

THE CHAIRMAN: You are talking of grain that originated west of Winnipeg, going to Vancouver. Is there any constructive mileage there?

MR. O'DONNELL: I shall have that checked to find out.

THE CHAIRMAN: There is this other constructive mileage you have told us about in the mileage between Calgary and Vancouver?

THE WITNESS: That is the mileage on which this rate is based.

THE CHAIRMAN: No, no. That is to say, the mileage from Calgary to Vancouver is assumed to be the same as from Edmonton to Vancouver, isn't that right? Isn't that what I heard?

MR. SINCLAIR: They have applied on the movement the Canadian National mileage from Edmonton to Vancouver,

even though it moves on the Canadian Pacific.

THE CHAIRMAN: The mileage from Calgary to Vancouver is shorter than the other?

MR. SINCLAIR: That is right, they have taken the longer of the two hauls.

THE CHAIRMAN: And the freight charge is made on the longer?

MR. O'DONNELL: One is 766 miles while the other is 641 miles, and the rate is fixed on the Canadian National.

THE CHAIRMAN: You cannot tell me today whether the 130 miles is granted or not?

MR. O'DONNELL: My information is that it is only on the class rates, but not on the grain rates.

THE CHAIRMAN: But they have it, have they not; it begins only east of Winnipeg?

MR. O'DONNELL: On class rates, but not on the grain rates.

THE CHAIRMAN: I am interested right now in wheat, wheat originating west of Winnipeg and going to the Coast. That wheat does not benefit by any constructive mileage in reduction?

MR. O'DONNELL: No, nor does it, moving the other way, with respect to grain.

THE CHAIRMAN: But other classes of freight enjoy that 130 miles?

MR. O'DONNELL: All commodity rates do; but the Crowsnest Pass rates were for grain and grain products, and they are based on a different setup.

THE CHAIRMAN: But other commodity rates, going straight from Regina to Vancouver, do they travel at a

reduced mileage by 130 miles?

MR. O'DONNELL: I will have to get that information for you.

THE CHAIRMAN: Yes, I think it should be cleared up.

MR. FRAWLEY: What you suggest, Mr. Chairman, is right.

THE CHAIRMAN: In shipments going from Regina to Vancouver via Calgary, the freight receives, on the one hand, 130 miles of reduction; while on the other hand, they have added to it so many more miles.

MR. EVANS: The constructive mileage, that is, taking the longer mileage into account, only applies in the case of export grain rates. In other cases, the export mileage has no part.

MR. O'DONNELL: The grain rate being tied directly to the Crowsnest Pass rates going east, the same privilege is accorded to it going west.

THE CHAIRMAN: All export grain originating west of Winnipeg goes to Vancouver at one mileage rate, with one exception; if it goes through Calgary, the mileage is assumed to be longer than it actually is?

MR. O'DONNELL: That is right. The rates were made on the same basis as the rates going east by reason of the Board's order.

CROSS EXAMINATION BY MR. SINCLAIR

MR. SINCLAIR: Q. I have a few questions, Mr. Martin. At the top of page 5, you say:

"Such commodity rates to the Pacific Coast also

provide many mixing privileges not presently available in Alberta."

When you refer to these mixing privileges, you do not mean by that, that it is the mixing rule under the freight classifications, that you are referring to?

A. I mean that you can ship from Eastern Canada to Western Canada a mixed carload that will take the one classification, not the highest classification. It will include goods to Vancouver that you cannot mix into the province of Alberta.

THE CHAIRMAN: What page are you referring to?

MR. SINCLAIR: The top of page 5, Mr. Chairman, just before he gives those examples; and he calls them mixing rules.

MR. SINCLAIR: Q. I suggest to you that, in these hearings, we have been referring to the mixing rule, not the classification rule. This is not that mixing rule, but is a special commodity item in the tariff which was brought about by water competition? Isn't that correct?

A. I could not say as to that. I know it was taken from a certain tariff.

Q. It is not the freight classification?

A. Tariff or item 558, tariff 1-H.

Q. But that is a water-compelled rate?

A. I do not know whether it is or not.

MR. FRAWLEY: So-called.

MR. SINCLAIR: Q. Did you or any of your members ever apply to the railroads for mixed car privileges to points in Alberta?

A. That I cannot answer.

Q. You have no records among your freight rates committee of the Red Deer Board of Trade or that of any organization?

A. No, not that are available to me.

Q. Are not all the records available to you as president?

A. No. I am not the president.

Q. Well then, rather as chairman of the freight rates committee?

A. Well, if they have them, I have not seen them.

Q. In paragraph 4 on page 5, you are referring to the distributing class rates in western Canada, and the town tariffs in Western Canada, and you give certain examples. One is an example from Winnipeg to Red Deer, and another is an example in the opposite direction. What carload quantities do you ship out of Red Deer?

A. Just commodities, you mean?

Q. Just condensed milk?

A. No, machinery, condensed milk, and butter.

Q. To Winnipeg you ship machinery?

A. Yes. It is a distributing point there.

Q. On butter and on condensed milk, have you not got a special commodity rate?

A. Yes, sir.

Q. Then why do you give that example? That is not a special commodity rate that you give there?

A. I am only quoting this from the tariff as an example.

Q. So the goods moving out of Red Deer move to Winnipeg at the same rate as goods move from Winnipeg to

Red Deer, when they are moving in volume?

A. Not according to the tariff.

Q. What about the commodity items, are they not on the same basis as the distributing rate inbound?

A. They move from Red Deer to a number of other points we are interested in.

Q. What are you moving to those other points? Is it a movement in volume? Give us some examples?

A. I cannot give you any examples now. We hope that Alberta will progress and will have diversified manufacturing throughout the province, and we would like to see these rates.

THE CHAIRMAN: Did I understand you to say "moving in bond"?

MR. SINCLAIR: No, Mr. Chairman, in volume. I am instructed that you get a distributing rate on butter, condensed milk, and machinery from Red Deer?

MR. FRAWLEY: A commodity rate, did you not say?

MR. SINCLAIR: Yes, a commodity rate on the same basis.

MR. FRAWLEY: A commodity rate on the same basis. That would not be comparing like with like.

MR. SINCLAIR: It certainly is. We publish a distributing rate outbound where the traffic requires it.

THE CHAIRMAN: Does that rate apply in both directions, east and west?

MR. SINCLAIR: Yes. He shows it here; and I say the same rate is applicable outbound, and is published as a special commodity rate.

MR. FRAWLEY: Time and time again you have said

you were comparing like tolike. But my learned friend says there is a commodity rate from Red Deer to Winnipeg. I submit there is no comparison.

THE CHAIRMAN: Does the commodity rate and the distributing rate affect the same articles?

MR. FRAWLEY: They may. I do not know anything about that.

THE WITNESS: I would not like to say. They may not, we have been told.

MR. FRAWLEY: A moment ago you said machinery moved on a distributing rate and butter moved on a commodity rate. Right there you have a disparity.

MR. EVANS: This has come up many times in these proceedings. The practice in the West is that instead of having distributing class rates apply inbound, the practice is to publish some rates inbound in commodity tariffs where the tariff warrants it. There is no distinction, so long as the same rate applies.

MR. FRAWLEY: Yes, we have heard that. That is one of the anomalies referred to in the order in council. I would call the attention of the Commission to the fact that the witness was comparing like with like and was being challenged about it.

MR. SINCLAIR: I would say that there was no burden on the people of Red Deer, because they get the rate on the traffic that is moving it.

THE CHAIRMAN: They get it under one name or another?

MR. SINCLAIR: They certainly do, Mr. Chairman, where the traffic warrants it.

THE CHAIRMAN: Where the traffic warrants it. Are distributing rates based on the fact that traffic warrants them?

MR. SINCLAIR: In the east the outbound tariff points originally were where there was movement of traffic; and they applied on the maxima at intermediate points, until the standard mileage class rates makes them lower.

Page 2235 follows

Then when the standard mileage class rate makes lower it is applicable, and so the historical significance of the thing is exactly the same as in the West; they are under different names. Where the traffic warrants it in the West, on application to the railways, they will publish a special commodity rate on ex the same basis as the distributing rate.

MR. FRAWLEY: If they choose to; there is no compulsion upon them at all.

THE CHAIRMAN: Well, is there in Eastern Canada such a thing as a special commodity rate?

MR. SINCLAIR: Oh, there are many special commodity rates all through Canada, yes.

THE CHAIRMAN: Why do you call the same thing in some cases a commodity rate and in other cases a distributing rate, both being in the West?

MR. SINCLAIR: Well, my lord, in the east they are published as Schedule A, and they have picked up this word of town tariff rate, and in the west they were historically put in as distributing rates at 15% below the standard mileage class rate; but as the west developed and there was a need for an inbound movement to the distributing centres of traffic, the railways, instead of publishing rates that were not going to be used, published these special commodity rates inbound to the distributing centres on the same basis as the rate outbound.

MR. FRAWLEY: The fact is that in the east it is there in the tariff for anyone to go to, it is in the tariff, and in the west you get this commodity rate which equals it, my friends say, after you have gone to

the railwys and established that there is a movement and you need it to help your industry and so on. That is the essential difference; it is there for anybody in the east.

THE CHAIRMAN: Well, how is all this discussion affecting Mr. Martin? I mean, is he any better satisfied?

Q. Are you? I mean that.

A. No.

Q. Have you still a complaint?

A. Yes.

Q. What is it?

A. Just as Mr. Frawley has stated. The rates in the east are published, whereas in Alberta we must go to the railway, establish a need for that rate, and ask them if they will please give it to us.

Q. And do they sometimes refuse?

A. Sometimes it is pretty hard to get them to see the light.

MR. SINCLAIR: Q. Can you give us any examples where you have made an application and the railways have refused, Mr. Martin, where there was any traffic?

A. I could not give it to you offhand.

Q. Could you give the Commission an example?

A. I could when I get back; I haven't got it here.

MR. SINCLAIR: Will Mr. Frawley undertake to let us have copies, too?

MR. FRAWLEY: Yes, I will be very glad to communicate to the Commission anything that Mr. Martin is asked by you to get and that he agrees to get.

MR. SINCLAIR: Yes, he has agreed to get it.

I will pass on, then, my lord, to the paragraph dealing with grain rates.

Q. As I understand your complaint, Mr. Martin, it is that grain rates to the coast for export are on the Crows Nest basis, but that grain rates for domestic use are not on that Crows Nest basis; is that your complaint?

A. All our complaint here is that grain for domestic use moving east travels at the same rate as export. Why shouldn't it move west at the same rate?

MR. SINCLAIR: Well, possibly you are not aware of the fact that in the statute it states that grain moving from the west, prairie points to Fort William and points east thereof, will be on the Crows Nest basis, and the statute makes no reference to grain moving to Pacific coast ports, but the Pacific coast ports on a complaint of discrimination made application to the Board for export rates at the Crows Nest Pass basis, so they would be able to compete for export grain, and that rate was granted on the Crows Nest Pass basis, using the Canadian National mileage, Edmonton-Vancouver, on traffic moving Calgary-Vancouver. Subsequently people in British Columbia complained to the Board and asked for the Crows Nest Pass basis on domestic grain, and the Board, after a very thorough investigation -- and I would like to put on the record and refer your lordship to the case of Fraser Valley Surrey Farmers' Co-op et al versus Canadian Pacific and Canadian National, reported in Volume 43, Canadian Railway Cases, page 97. There are very extensive judgments here, my lord, and Assistant Chief Commissioner McLean and

Commissioner Stoneman have gone into the matter most fully and have referred extensively to the matter of discrimination, the Board's principles on the matter of discrimination and what amounts to discrimination, unlawful discrimination within the meaning of the Railway Act. I should like to draw to your attention one paragraph from the head note. I might say that Commissioner Stoneman also has a very useful judgment in that report. The head note in part reads as follows:

> ""The Board has repeatedly ruled that a lower rate on export traffic is in itself no evidence of unjust discrimination, provided that the local rate is a reasonable one. In the absence of unjust discrimination or undue preference prohibited by the Railway Act, its function is to ascertain the reasonableness of the rate; and it is beyond its power to attempt to equalize geographic, climatic or economic conditions. It has been recognized that there is no necessary relation whatever between domestic rates and export rates. The primary test of domestic rates is whether the rate be reasonable and fair. Whether unjust discrimination in rates exists depends upon the particular facts and circumstances found to exist in each case."

I could read other extracts from the judgments, but I think that the principle is pretty well established in that portion of the head-note.

Q. Now, Mr. Martin, can you tell me how many cars of grain move from Alberta points to Fort William for domestic use?

A. No, I cannot.

Q. Could you tell me how many cars of grain move from Alberta points to Vancouver for domestic use

A. I cannot answer that either.

Q. Well, can you tell me what burden Alberta is under by having a domestic rate to the coast different from a domestic rate to Fort William?

A. It is my understanding that most of our coarse grain feeds go to the coast province, go to B.C.

Q. For domestic consumption?

A. For domestic consumption.

Q. And are they used as feed grains?

A. Yes.

Q. Well, have you not got a special commodity rate on feed grains to Vancouver from Alberta points?

A. Not that I am aware of, no.

Q. I am instructed that there is, and I am instructed also that the Dominion Government subsidizes the movement of feed grain from the prairies to British Columbia points.

MR. FRAWLEY: It is a different rate. I think, having raised the point, you should put it on the record. It is a well known thing,but it does not affect the 41½ cent rate. That is the published rate. What you are talking about is some mill feed grain.

MR. SINCLAIR: I am talking about a feed grain rate of 30 cents a hundred.

MR. FRAWLEY: From mills.

MR. SINCLAIR: On which the Government pays a subsidy of $6 a ton.

MR. FRAWLEY: Well, give us the reference, and we will clear it up.

MR. SINCLAIR: If you want to put anything on the record, Mr. Frawley, you will have the opportunity.

MR. FRAWLEY: Oh, now! You want your cross-examination to be fair.

MR. SINCLAIR: Certainly it is fair.

MR. FRAWLEY: You are possessed of all that information.

MR. EVANS: The tariff is No. 145 C.R.C. No.154, C.P. No. W-373.

MR. SINCLAIR: On page 5 also, Mr. Martin, at the bottom of the page you refer to the movement of butter from a number of points, including Calgary, Edmonton, Red Deer and Alix. You are aware, are you not, that there is an agreed charge on butter from Alix to Vancouver?

A. Yes.

Q. You are also aware, are you not, that the reason why the rate on butter by the Canadian Pacific from Edmonton is exactly the same as the movement of butter from Calgary, is the principle in rate making ~~xkxx~~ where there are competitive points between railways meeting the short-line mileage?

A. I agree with you there, but it does not help the other points who are not competitive.

Q. But it is a principle that helps numerous shippers; is that not right.

A. Yes, at a few points.

Q. Now, under your heading "Recommendations" on page 6, paragraph 3, you say:

"That every consideration be given our province in the matter of export rates".

Please tell me, Mr. Martin, what commodities moving from Alberta for export do not now move on export rates which require that for their movement?

THE CHAIRMAN: Pardon me; does export mean export outside of Canada?

THE WITNESS: Yes, that is what I take it to mean.

MR. SINCLAIR: Yes -- that are on a lower basis than domestic rates.

THE WITNESS: I believe I lost the trend of that question.

MR. SINCLAIR: Q. I asked you to give me the commodities that move from Alberta for export which require export rates and which do not now receive them?

A. Evaporated milk is one which has not been used up to the present time but will be used in the very near future.

Q. It has not been moving for export?

A. No.

Q. Have you made application to the railways for an export rate on it?

A. Yes, we have.

Q. And is it pending.

A. No; it has been granted, not as low as we wanted to compete with other communities, but ---

THE CHAIRMAN: Q. To compete with whom?

A. With other exporting communities producing evaporated milk.

MR. SINCLAIR: Q. But you did get a rate lower than the domestic rate?

A. Yes, we did.

Q. Can you give me any other examples?

THE CHAIRMAN: Q. Pardon me; what other communities have you in mind Are they in Alberta?

A. No, sir; they are in Eastern Canada.

Q. Eastern Canada?

A. Yes.

MR. SINCLAIR: Q. Give me any other examples, Mr. Martin?

A. Not offhand; I cannot think of one just now.

Q. Have you got any record of any others?

A. No, I cannot say that I have.

Q. Thank you.

MR. FRAWLEY: My lord, might I ask just one question?

EXAMINED BY MR. FRAWLEY

Q. In connection with the domestic grain rate from Calgary to Fort William, the export grain rate is 26¢ per hundred; from Calgary to Fort William the domestic grain rate is 26¢ per hundred; do you know what the rate is from Fort William eastbound?

A. I do not.

Q. To Montreal?

A. No, I do not know that.

Q. Do you know that it is the same as the export rate from Fort William eastbound?

A. No.

Q. To Montreal?

A. I was under the impression, but I did not know for sure, that that was correct.

THE CHAIRMAN: Is it the same, Mr. Frawley?

MR. FRAWLEY: I was asking him if he could compare the export rate from Fort William to Montreal and the domestic rate from Fort William to Montreal.

THE CHAIRMAN: Are you assuming that they are the same

MR. FRAWLEY: Yes, my lord, I am assuming. My recollection is that they are almost exactly the same and, furthermore, that it is an all-season rate, even when the lake is frozen over.

MR. SINCLAIR: The matter is all discussed in the judgment to which I referred.

THE CHAIRMAN: It is a fact, though, is it?

MR. SINCLAIR: Yes, my lord -- I am not saying that; I am saying the matter is all discussed, and the basis for the rates and why they are there is all discussed, in this judgment of the Board to which I gave you the reference.

THE CHAIRMAN: You do not admit they are necessarily the same

MR. EVANS: We do not think they are the same. I am just checking.

THE CHAIRMAN: Do you know if the domestic rates are higher than the export rates eastward:

MR. EVANS: Yes; we will check that and let you know. That is our view.

MR. FRAWLEY: The comparison is, of course, on the westbound movement of Alberta grains. That is the importance of the comparison. There is a very serious

differential between the two rates out of Alberta points to the west coast, and I am suggesting that when one examines the eastbound domestic movement from Fort William to Montreal or Quebec it will be found that if they are not the same they are very, very close.

MR. O'DONNELL: You haven't examined it?

MR. FRAWLEY: Yes, I have examined it and I have discussed it with officials.

THE CHAIRMAN: All right, Mr. Covert.

EXAMINED BY MR. COVERT

Q. Would you just turn to page 6 of the brief, clause (d) under paragraph No. 3 of your recommendations. You say:

> "Except for very exceptional cases, the rate for a shorter haul cannot be greater than a rate for a longer."

Now, what I am trying to find out is what you mean by "very exceptional cases"; do you contemplate competition, for example, as being ---

A. No, we have no specific example to work on in that case, but we do realize that there are times when possibly the railroads or the Commission would want to have some latitude in there, and that was put in that way, not to make it very strong and hidebound.

Q. Competition is one of the elements, I believe, that come into that very section; now, I was wondering if you were meaning something different from competition by "very exceptional cases", something entirely different from competition, or if you have any examples in mind?

A. No, we had no specific examples in mind, only

that we did not want to make any recommendations that were not subject to some elasticity.

Q. Then you leave us in the position that we have to find out what those very exceptional cases are ourselves; I mean, you have no help for us? I am trying to find out what you have in mind when you make that definite recommendation, and you cannot assist us in the meaning of the words "very exceptional cases", either by example or otherwise?

A. No, I am sorry, I have no specific example to let you have.

Q. Then at the bottom of page 6 and the top of page 7 you say:

> "Heretofore, either visible rate competition, or competition from other sources, apparently was the means of establishing the necessity for good export rates, reasonable agreed charges rates, mixing privileges. In the future, we suggest they be on a basis of equality with other parts of Canada where conditions are similar."

Now, is not the trouble going to be finding similar conditions?

A. Yes, we realize that there is a big problem, but in the first of this, "either visible rate competition", we refer specifically to this water-compelled rate which was in effect I understand throughout the war, when there was no competition on the water.

Q. That is what I felt you had in your mind, really, throughout here, competition, and that what you are really saying is that sometimes rates are in effect

when the competition is gone; is that what you have in mind?

A. Yes.

Q. Now, the last point I wanted to deal with is on page 7, in the long paragraph before the last, where you say:

> "Our freight structure of the future should be so constructed that there be more equality of opportunity and advantage, the smaller urban community with the larger ones."

Are you suggesting there that freight rates should be adjusted to create equality of opportunity between ---

A. We are suggesting there that we have the same privilege as the town rates in the east.

Q. Oh, I see. In other words, you are talking about town tariffs and distributing tariffs.

A. Yes.

Q. Thank you.

MR. EVANS: I am now in a position to give you something on the comparison between domestic and export grain rates in the east. The Commission will understand that the bulk of the movement of grain for export comes down by water from Fort William to what we call the bay ports, that is, the Georgian Bay ports, and from there there is a very special low level of rates called generally the "at and east grain rates". Now, with regard to that portion which comes all rail from Fort William, if it goes only as far as Montreal the scale is the same whether it is for export or domestic. If, however, it goes to the maritime ports it is very considerably lower than ---

THE CHAIRMAN: Than for export?

MR. EVANS: Yes, for export, than it is for the domestic movements.

COMMISSIONER INNIS: Do you draw a distinction between all rail from Fort William and water and rail from bay ports?

MR. EVANS: Yes.

COMMISSIONER INNIS: That is, the one which is an "at and east" rate?

MR. EVANS: Yes, the "at and east" rate applies from the bay ports. That involves the bulk of the movement from Fort William to these bay ports by water and the forwarding from the bay ports to the seaboard.

(Page 2247 follows)

COMMISSIONER INNIS: And the all rail rate from Fort William?

MR. EVANS: The all rail rate from Fort William to Montreal is the same whether it is for export or domestic, but beyond Montreal there is a very considerable reduction in favour of the export rate.

MR. FRAWLEY: Is that rate to Montreal in force twelve months a year?

MR. EVANS: The all rail?

MR. FRAWLEY: Yes.

MR. EVANS: I assume it is.

MR. COVERT: The next submission is that of Husky Oil & Refining Ltd.

MR. FRAWLEY: I will call Mr. Ainsworth.

FRED AINSWORTH, Called

EXAMINED BY MR. FRAWLEY:

Q Mr. Ainsworth, you are traffic manager for Husky Oil and Rinining Limited?

A That is correct.

Q Is that an Alberta corporation or a Canadian corporation?

A The refinery is in Alberta, a Canadian corporation.

Q Husky Oil and Refining Limited is an Alberta corporation?

A Yes.

Q How long have you been incorporated in Alberta?

A About two years.

Q And Husky Oil and Refining Limited of Alberta is a subsidiary of the American company?

A That is right.

Q And the name of the American company is what?

A Husky Refining Company.

Q With its operations where?

A At Cody, Wyoming.

Q And the Husky people from Cody, Wyoming came up into the Lloydminster field to establish there?

A That is correct.

Q Now, by virtue of your interest in the Lloydminster field you have prepared a brief for submission to the Commission?

A We have.

Q Please put it into the record.

A Mr. Chairman and Commissioners, I should like to make a few observations before I start to read this submission.

Q May I interrupt you. I think this might be an appropriate time for me to answer the question which Professor Angus asked me in Calgary. After making appropriate inquiries I find that there is no customs duty on crude petroleum imported into Canada from any other country for refining purposes. The tariff item is No. 267C. I am sorry, Mr. Ainsworth.

A I should like to make these observations before I start to read the submission. On page 2, paragraph 2, there is a correction. I have a few copies of the corrected paragraph which I should like counsel and the Commissioners to have.

Q There are several changes?

A There is a correction in that paragraph 2, and it probably would be simpler if I have these given to the

correct people. On page 1, directly under the heading "Lloydminster Crude Oil" the paragraph refers to the crude produced as a heavy viscous oil ranging from 10 to 8 A.P.I. gravity. That should read "18".

THE CHAIRMAN: On page 1?

THE WITNESS: On page 1 directly under Lloydminster Crude Oil it reads "from 10 to 8 A.P.I. gravity" and it should be "10 to 18". With those corrections I will carry on with the brief:

The Husky Oil & Refining, Ltd. of Lloydminster, Alberta wishes to make a submission of a brief to the Royal Commission on Transportation for the purpose of demonstrating how the current rate structure hampers the development of the Lloydminster oilfield and the complete marketing of crude oil and the products refined therefrom.

Company History

The Husky Oil & Refining, Ltd. began building a 2500 barrel per day refinery for the processing of the Lloydminster crude oil on October 1, 1946. Total production of the oil field at that time was 850 barrels per day. By January 1, 1948 the crude oil production had jumped to 4000 barrels per day. During the year 1948 refining capacity was increased to 7500 barrels per day.

Our refinery is designed and equipped to manufacture all grades of paving asphalts, road oils, and industrial asphalts, plus heavy industrial fuel oils and house furnace oil. A small percentage of gasoline and diesel fuel is also obtained.

The company also operates a field gathering plant and

loading rack at Lone Rock, Saskatchewan; and a crude oil cleaning plant and loading rack at Borradaille, Alberta.

Lloydminster Crude Oil

The crude produced is a heavy viscous oil ranging from 10 to 18 A.P.I. gravity. It is a pure naphthenic crude which, when refined, produces a high quality asphalt. There are only three or four fields which produce pure naphthenic crude, on the North American continent.

MR. FRAWLEY: Q. You refer there to your crude oil as ranging from 10 to 18 A.P.I. gravity. By way of comparison what does Turner Valley crude run?

A It runs about 34, and the local crude close to Edmonton runs about 39 or 40.

Q When you say "local" that is Leduc?

A Leduc.

Q And Redwater crude?

A About the same, 39 or 40 gravity.

Q And your crude runs from 10 to 18.

THE CHAIRMAN: Q. While you are on that please tell us what A.P. I. means.

A American Petroleum Institute standard of testing.

The field is capable of producing 8500 barrels per day at the present time. Husky owns 17 wells, or approximately 8 per cent of the production. The balance is owned by 18,000 investors scattered throughout the prairies and Canada.

Currently there is a yearly surplus of one and a half million barrels of crude oil for which a market is being sought.

Products

The principle products refined from the Lloydminster

Crude Oil are asphalt, and Bunker "C" Fuel Oil (heavy industrial fuel oil.) Byproducts are gasoline, diesel fuel and house furnace oil. Over 50 per cent of the crude is 100 Penetration Asphalt which adapts itself to innumerable uses such as:

Road Asphalts - of all types and grades as specified by the American Asphalt Institute.

Industrial Asphalts - including"

Coal Briquette Binders

Roofing Asphalts

Dampproofing

Canal Lining Membranes

Refrigerator Asphalt

Battery Seal

Battery Case Asphalt

Mineral Rubber

Rail Car Spray

Tie Oil

Plastic Sewer Seal

Underbody Coating

Special Wood Preservative Oil

Our refining process is the reversal of the usual methods employed. Up to the time of the discovery and development of the Lloydminster field the main products manufactured by most refiners were gasoline, diesel oils and lubricating oils. Asphalt and Bunker "C" were incidental.

Marketing Problem

Because Asphalt and Bunker "C" (Heavy Industrial Fuel Oil) were only by-products of other refineries and were generally in short supply, freight rate structures established for them were not too important. The available

asphalt and Bunker "C" was marketed in a very narrow area and freight rates were established which permitted the marketing of these products.

With the development of the Lloydminster field, and with asphalt and heavy industrial fuel in surplus supply, it becomes necessary to move further afield to the markets. Since freight rates were designed for movements to points near the refinery the Lloydminster field cannot ship to distant points.

I will have to make some observations here and add a word or two in order to clarify it. As an example, the freight rate from Lloydminster to North Battleford on fuel oil, a distance of 84.1 miles, is $3.60 per ton, as compared to the rate from Drumheller to North Battleford on coal, a distance of 336.4 miles, of $3.15 per ton. The freight rate from Lloydminster to Vancouver, a distance of 931.2 miles, is $30.40 per ton.

THE CHAIRMAN: Q. On coal?

A Oil, as compared with coal shipped to Vancouver from Drumheller, Alberta, a distance of 740.9 miles, $4.40 per ton.

We do not cite rates on coal because we believe they are unfair, but only to illustrate that by restriction of the area into which we can move our product we must of necessity develop and crowd the nearby markets to the fullest extent. As a result, the coal industry in Alberta and Saskatchewan is losing many of its most valuable accounts. We contend that confining the movement of Bunker "C" fuel oil to prairie markets not only hinders the development of the Lloydminster field but also is doing great damage to the coal industry. We must point out that a good percentage of

western coals, because of their friability and high moisture content, cannot be successfully merchandized in markets at great distances from the mines.

We should also point out that the coal industry in the prairies provides a large market for the refined products from the Lloydminster refineries. Asphalt briquette binders and coal sprays are used in large volumes.

We believe that the best interests of both the coal and oil industries will be better served if surpluses of the Lloydminster crude oil and refined products are permitted to move away from the narrow industrial confines of the prairies.

Producers of light crude oil solve the high cost of transportation by building pipe lines and moving their surplus production to market at a very low cost. Because of the viscous nature of the Lloydminster crude oil it cannot be put through a pipe line for long distances, and is therefore confined to volume movements via tank cars. The high cost of transportation does not permit us to reach potential markets which are now being served by oil products imported from the United States or South America.

If the market for Lloydminster crude oil and products manufactured from it is to be enlarged the oil must be moved by rail at transportation costs which will permit it to compete with foreign imports.

As an example of this foreign competition permit us to quote from The Dominion Bureau of Statistics Report on Refined Petroleum Products, dated December, 1948. Imports of fuel oil to British Columbia for the year 1948 are listed as 3,372,128 barrels. Of this figure 2,711,727 barrels was a heavy fuel oil which is abundantly present

in the crude petroleum of the Lloydminster field.

In addition to the fuel oil, there was imported into British Columbia, (according to this same report) 7,303,558 barrels of crude oil, the bulk of which came from California.

We could get definite commitments from British Columbia refiners to take large volumes of our crude if our price could be made competitive to the foreign imports.

We believe that since there is a market for Lloydminster crude oil and products deriving therefrom, in Canada, that some method or way should be found to get that oil to the market at a competitive price and that the investors should be encouraged to develop a great natural resource. It is believed that the production of the field could be doubled if markets were available. Presently, all drilling and development is being curtailed and the wells prorated.

We are not unmindful of the many problems confronting the railroads in securing sufficient revenue for profitable operation, or of the many difficulties involved in granting any special rate consideration to the Lloydminster crude. We are not ungrateful to the railroads for their investigations and encouragement in many fields, particularly in the exporting of our products. The export market has not developed as anticipated because of the dollar exchange difficulties encountered by many countries needing our products.

PROPOSALS FOR CONSIDERATION

1. Competitive Rate to Vancouver

Rates covering movements to prairie points are generally satisfactory. We believe that the long distance rates

should be overhauled to permit competitive movements to points such as Vancouver and Fort William, so that we can compete against foreign imports.

Page 2257 follows

As previously indicated, there now exists a surplus of 1½ millions barrels of Lloydminster crude oil, which, if sold, must move in tank cars over Canadian railways. The market does exist for Canadian oil. The movement of 1½ million barrels would require 7,500 tank car loads. This railway movement would be supplanting oil shipments coming up the coast in ships. Private tank cars are available to effect such a movement.

We need a rate or a subvention that will permit us to move the oil at $7 per ton to Vancouver. A movement of 7,500 tank cars at $7 per ton will bring new and increased revenue to the railroads in the amount of $2,100,000 per year.

For the week ending April 9, 1949, our Canadian railways show carloadings of 71,997 cars against 77,789 for the corresponding week of April, 1948, - a decrease of 7.5 per cent (Canadian Transportation, May 1949). We are unable to discover how the railroads can secure much needed revenue by establishing rates that do not permit the moving of our oil to market.

It is our firm belief that if a means or a method is found that will permit the Lloydminster crude oil and Bunker "C" to move to a market on the Pacific coast, that the increased traffic and revenue (which is presently being carried from the United States via ocean tankers) will justify lower freight rates.

THE CHAIRMAN: Q. In the second paragraph under that heading "Proposals for Consideration", you say:

> ".....there now exists a surplus of 1½ million barrels of Lloydminster crude oil which, if sold,..."

Do you mean to say that the oil is there but it is not sold?

A. It is underground. It is being pro-rated. Our wells are being pro-rated, during the winter months, to 35 per cent of their allowable production.

MR. FRAWLEY: Q. Is it a market pro-ration, or a conservation pro-ration?

A. It is a market pro-ration.

2. Compelled Water Rate on Asphalt to Fort William

At the present time we can only point to one oil rate which we consider to be discriminatory. We refer you to Canadian Freight Association Tariff No. 5/H which quotes a 39 cent rate on asphalt,(all rail) from Montreal to Fort William, - a distance of 989 miles. The rate from the Lloydminster field for the same distance would be 63 cents. This rate from Montreal to Fort William is probably based on water competition, which we contend does not exist. Asphalt is a product which does not lend itself to bulk transportation by boat. It is essentially a movement which must take place in tank cars. It is our contention that the asphalt moving west from Montreal is imported, or made from imported crudes, moving at a much lower rate than our domestic asphalt produced in refineries at Lloydminster.

We do not believe that water competition for this product actually exists, unless the product is put in drums. The high cost of packaging the asphalt in this manner eliminates water transportation as a competitor.

3. Transit Privilege

As we have previously pointed out, many of the coals mined in western Canada cannot be sold in domestic markets

unless they are briquetted. There are some coals which do not lend themselves to briquetting unless blended with coals from other mines. There are also some coal mines so located that they cannot stockpile briquettes during the summer months and move them during the winter months, because of already congested winter traffic at the mines. Heavy snows and snowslides at mine locations add further to transportation and marketing difficulties.

If the transit privilege were granted to the coal industry coals would be brought together at some central point enroute, along with the asphalt binders, and manufactured into coal briquettes and stockpiled during the summer months thus adding to the total Canadian coal supplies available during the winter months. Western coal briquettes are marketed extensively in Eastern Canada, which otherwise depends largely on coal imports from the United States. Canadian railways receive only short hauls and low revenue from American imports.

CONCLUSION:

We believe that larger markets for products from the Lloydminster field will assist materially in reducing imports requiring American dollars in payment; and will assist in the development of our natural resources which are our heritage, and an integral part of our Canadian economy.

This submission is not intended as an application for a decrease in freight rates, but as a plea for some plan of equalization which would permit the marketing of crude petroleum, and the products manufactured there from at Lloydminster, in areas now using imported production.

In closing this brief we would like to express the

thanks of our company to this Royal Commission for the opportunity of presenting our views on a subject so vital to our Canada.

Respectfully submitted.

MR. FRAWLEY: Q. Now, Mr. Ainsworth, just to put the two things down side by side; you say that you have to have a rate of about $7 per ton, Lloydminster to Vancouver?

A. That is right.

Q. So that you can compete against the water-borne crude moved to Vancouver?

A. That is right.

Q And in the brief of the Lloydminster Petroleum Association they give a figure of 2.659 in February, 1949, for shipment from California. This thing isn't any too clear, but that was the laid-in cost in Vancouver?

A. That is right.

Q. And that is what you have to compete against?

A. That is right.

Q. And you say you could do it if you got a rate of $7 per ton out of Lloydminster?

A. Yes, we can.

Q. And as against that, you point out, in the new paragraph which you substituted, that the rate you now have to operate that works out to $30.40 a ton?

A. That is right.

Q Is that a published rate or the best rate you can get?

A. This 30.40 is a present published rate.

Q. Can you give it to us in cents per hundred?

A. 1.52.

Q. $1.52 per hundred?

A. That is right.

Q. And that is also the rate which is quoted in the Lloydminster brief, C.T.W. 160-C?

A. That is right.

Q. That is a fifth class rate?

A. That is right.

Q. And the Lloydminster brief says no rate . has been published to date?

A. That is right.

Q. And the railways have given you a fifth class rate, which means 30.40 a ton to move it from Lloydminster to Vancouver, And to compete against the water-borne crude there, you would have to have a rate of about $7 per ton?

A. About 35 cents per cwt., yes.

Q. Your paragraph 2, there you say that the water rate - you say that the rate which moves the asphalt from the east to the Lakehead is 39 cents?

A. That is right.

Q. And that is 989 miles; and the rate to move it from Lloydminster to the Lakehead would be 63 cents?

A. No; you mean the distance?

Q. The same distance?

A. That is right.

Q. You would not want to move it to the Lakehead?

A. Yes. There is a possibility of markets at the Lakehead.

Q. For shipment by water?

A. Yes, the rest of the way.

Q. You are assuming you could find markets at the

Lakehead; and if you did, you would find yourself in direct competition with that rate of 39 cents?

A. That is right.

Q. Yours would be 63 cents, while the rate you would be competing with would be 39 cents?

THE CHAIRMAN: 39 cents on what?

MR. FRAWLEY: On the product of asphalt.

THE WITNESS: Actually, I think you would find it a little higher than that. I say: equally distant from the Lakehead; but it is really a greater distance from Lloydminster than it is from Montreal, to Fort William.

MR. FRAWLEY: Q. Actually, assuming the case you were trying to get to the Lakehead, it would be a little more than 63 cents?

A. Yes.

Q. It would be that much worse?

A. Yes.

Q. And you say that while these would probably be set by the railways, by the water-compelled rates, by the water-compelled St. Lawrence waterways and the Great Lakes you say, in fact, as an oil man, that it does not lend itself to water transportation, asphalt does not lend itself?

A. Thatis right.

Q. Across the lakes?

A. That is right.

COMMISSIONER ANGUS: Q. What would the export markets be on page 3?

A. As far as the marketing of our products are concerned, I would rather not answer myself. We have our

sales and refinery manager with us today, and any questions having reference to marketing, I would like to refer to Mr. Knight, if that would be agreeable to the Commission.

MR. FRAWLEY: I would like you to answer the Commissioner's question.

THE WITNESS: Mr. Knight is in a much better position to answer on that particular angle.

MR. FRAWLEY: Mr. Knight, would you just come up to the stand.

A. C. KNIGHT, called

MR. FRAWLEY: Q. Mr. Knight, what position do you hold in the Husky Oil & Refining Limited?

A. I am manager of refining and sales.

Q. And you live in Calgary?

A. I live in Saskatoon at the present time.

Q. Commissioner Angus has asked a question.

COMMISSIONER ANGUS: Q. Mr. Knight, the brief says that the export market has not developed as anticipated. What export market was anticipated?

A. Asphalt. There is a great deal of asphalt bought and purchased by foreign countries, particularly Australia, New Zealand, Japan and the Phillipines. In fact, there are some eleven countries that we work with in the orient. There is also Greece, Sweden, Norway, France, and Germany.

Q. The point was this: Would not export to any of those countries have involved the same freight rate difficulties in Canada as, shall we say, sales in Vancouver?

A. I do not think that I understand your question.

Q. You send asphalt to Australia. You would have to send it through Vancouver?

A. That is right.

Q. And unless you got a special export rate, you would have the same high freight rate. That is the difficulty here?

A. I think we pointed out that the railroads did give us an export rate, or permitted the marketing of our material, asphalt, in foreign markets.

MR. FRAWLEY: I do not think that is in the brief, sir. What was that?

A. It is 50 cents a hundred, or $10 a ton.

Q. And that takes you from Lloydminster to the seaboard?

A. We have never asked for its publication because we have never effected a movement.

Q. It is interesting to know that they did offer you a rate for export to the orient.

A. That was in order to facilitate the movement of our product. Our company worked quite a while and made considerable investigations, and the railroads have co-operated with us in the exporting of our product.

THE CHAIRMAN: Would that be asphalt?

A. That was asphalt.

MR. FRAWLEY: Q. And that asphalt was a product of the Lloydminster refinery?

A. That is right.

Q. But you were not offered any such rate on your crude, for delivery?

THE CHAIRMAN: Q. Have you ever taken advantage of this rate of $10?

A. Unfortunately, no.

Q. Because there was no market?

A. No market.

Q. Or because you couldn't get to it?

A. It was not entirely because of the rate.

Q. Because of the dollar exchange difficulties encountered by many countries needing our products in the export market for their development?

A. We were so close to it, but we could not get the money exchange. It was not a matter of rates which stopped the exporting of our asphalt.

MR. FRAWLEY: Q. So much for asphalt. Now, bunker "C"; what is the situation with respect to bunker "C"? Was there ever any question of exporting that to foreign countries?

A. No.

Q. So that remains as it is in the brief, and that is the rate on the crude oil for delivery to coastal refineries to be turned into bunker "C"?

A. To clarify that position we would prefer to ship it to the refinery at the coast to make up bunker "C" and asphalt products because they import that very same type of oil for that same purpose.

Q. But the Husky company would turn it over at the coast to a coast refinery?

A. That is right. We would say that the Husky company and other producers in the Lloydminster field would ship their crude to refineries where it could be utilized to a better extent in the process of making bunker "C" or asphalt. They produce a very fine asphalt, and all the refineries in the prairies are using it now. It is recognized as a very

fine, high type, high grade product.

Q. Your problem, so far as the coast is concerned, is a problem to you as a producer and seller of crude?

A. That is right.

Q. And as a seller of crude you want to get it down to the coast for delivery there so that the coast refineries will buy it as against buying water-borne California crude?

A. That is right.

Q. As for the rest of your operations, where you are selling bunker "C' and so on, that you do in Lloydminster; and you say, generally speaking, that the rate for that local or prairie distribution is favorable?

A. That is right.

Q. I think I understand your point.

F. AINSWORTH, recalled

CROSS EXAMINATION BY MR. SINCLAIR

MR. SINCLAIR: Q. Mr. Ainsworth, you said that the only rate published on crude oil to Vancouver is the fifth class rate, which is 1.52 a hundred?

A. From Lloydminster, that is correct.

Q. Now, did you not, last March, March, 1949, take up with the Canadian Pacific and the Canadian National in Winnipeg the question of getting a special commodity rate on crude from Lloydminster to Vancouver in order to get into these refineries?

A. They did; and they offered us 52 cents which was not, apparently, sufficient to meet the market.

Q. But that was a substantial reduction from the fifth class rate?

THE CHAIRMAN: From what?

MR. SINCLAIR: From $1.52 to 52 cents.

THE CHAIRMAN: You say that was not sufficient?

THE WITNESS: That was not sufficient to meet foreign competition?

THE CHAIRMAN: Q. From California?

A. That is right.

MR. SINCLAIR: Q. You say on page 3 of your brief that you require a rate of $7 per ton to enable you to meet this competition. Now, Mr. Ainsworth, if you took the rate of 52 cents which was offered by the railways, which figures out to 9 cents per gallon, and on 6,000 gallons of Bunker "C" you would arrive at a car-mile earning of 30.1 cents per mile, would you not?

A. I have not checked it, but I will take your word for it, if it is that close.

Q. Most crude oil to the refinery moves at 40 per cent of the fifth class, isn't that right in Western Canada?

A. Yes.

Q. And forty per cent of the fifth class Vancouver terminal rate would be 61 cents. Isn't that correct?

A. Yes.

Q. And that works out to 35.4 cents per car mile. But the rate that you require, of 35 cents per hundred, or $7 per ton, works out at 20.3 cents per car mile?

A. I have not figured it out but I accept your word for it. No doubt you are correct.

Q. And the average car-mile earnings for the system, 1948, was 32.4 cents per car mile for all traffic. So what you are asking the railways to do is to have car mile earnings at 20.3 cents on crude oil, on crude petroleum from

Lloydminster to Vancouver, which is approximately 12 cents below the system average car-mile earnings. Isn't that correct? You are accepting my figures?

A. I am accepting them.

Q. I believe the calculations are correct.

A. If the calculations are correct, but I have not checked them, as I said before. I would rather check those than accept them.

Q. We have heard at different times during these hearings about an agreed charge on Sarnia, on the movement of gasoline; and I think it would be of interest to the Commission to know that I have had a calculation made on the car-mile earnings on this agreed charge on gasoline from Sarnia - which Mr. MacPherson has referred to on a number of occasions; and Mr. MacPherson is not here today. The car-mile earnings on that, which he termed a give-away rate, are 69 cents per car mile, - and that is for a small tank, that is, a 6,000 gallon tank; and in the east, these small tanks are very seldom used for the movement of gas.

MR. FRAWLEY: What is the difference on the agreed charge out of Calgary? That is the comparable thing?

MR. SINCLAIR: I have not figured it out.

MR. FRAWLEY: It is higher, is it not? There is an exhibit in the 30 per cent case which compares the agreed charge rate per cwt. out of Sarnia and out of Calgary; and it is lower out of Sarnia.

MR. SINCLAIR: Therefore, the car mile earnings would be higher on the Calgary agreed charge. There is only one other point.

MR. SINCLAIR: Q. Mr. Ainsworth, at the bottom of

page 3, under the heading of "Transit Privilege", you desire that coal, on account of its friable nature, be brought into Lloydminster and there processed into briquettes and moved out of the transit point on the equivalent through rate, with a stoppage in transit charge.

A. No, I do did not say Lloydminster. I said: Some central point enroute.

Q. But what you require or desire isaa through rate from a shipping point to the processing point to destination, plus some transit charge?

A. That is right.

Q. I suggest to you that if this were applied to your industry, it would have to be applied to others. For example, peas going into a factory and canned goods coming out; lumber going in and furniture coming out. Or take the packing industry with livestock going in and steaks coming out.

MR. FRAwley: Or take the milling industry with grain going in and flour coming out.

MR. SINCLAIR: Q. It would just show you; and I suggest if this were granted to you, we would be just burdened with applications.

A. I am not prepared to admit that that is correct. One would have to take this on its own merits.

Q. So you think there is a meritorious case in regard to this which would not result in other people claiming discrimination?

A. I have nothing to do with other people. I am trying to consider our own affairs.

MR. SINCLAIR: Thank you, Mr. Ainsworth.

CROSS EXAMINATION BY Mr. O'DONNELL

MR. O'DONNELL: Q. With respect to this amended paragraph, Mr. Ainsworth, that you have given us; in the first instance, the $3.60 a ton from Lloydminster to North Battleford, that is an asphalt rate, is it not?

A. It could be either an asphalt rate or a fuel oil rate. There is an agreed charge equivalent to 18 cents per hundred -

Q. And the next rate is from Drumheller to North Battleford; that is a coal rate?

A. A coal rate, yes.

Q. And the next sentence says:

"The freight rate from Lloydminster to Vancouver, a distance of 931.2 miles, is $30.40 per ton....."

That is a fifth class rate?

A. That is right.

Page 2277 follows

Q. On oil, is it not?

A. That is right.

Q. Petroleum products and oil

A. That is correct.

Q. And the last rate, $4.40 on the coal shipped from Vancouver to Drumheller, that is a competitive rate to meet the Vancouver Island coal?

A. I am not fully conversant with the coal rate. That rate was supplied to me and I think it is correct.

Q. You have been in Lloydminster how long? Two years?

A. In Lloydminster personally, or the company?

Q. The company.

A. The company has been there since the end of 1946; it is almost going on three years now.

Q. Are you aware that on the 1st of July, 1949, the rate on asphalt from Lloydminster to Vancouver will be 63¢ a hundred.

A. I am aware there will be some corrections when the adjustments are made.

Q. That is by reason of the mountain differential?

A. Yes, by reason of the mountain differential.

Q. That will come down then to $12.60 a ton?

A. Yes.

Q. Today it is 79¢ a hundred?

A. I am aware there are some corrections to be made. I have not checked that particular Ashphalt rate, to Vancouver.

Q. Do you know the present rate is 79¢?

A. I do not.

THE CHAIRMAN: It is going down to 63¢?

MR. O'DONNELL: Yes, my lord.

Q. Then this petroleum products rate, that is not an asphalt rate; that is $1.52, is it not?

A. That is a straight petroleum product rate, the fifth class, not a commodity rate of any kind.

Q. How do the B.T.U's per ton compare with coal?

A. I am sorry, I cannot answer that question. Mr. Knight will probably answer if you wish the information.

Q. Just one more question before I ask Mr. Knight that. On page 3 of your brief, where you speak of compelled water rate on asphalt to Fort William, you say the rate of 39¢ from Montreal to Fort William is probably based on water competition which you contend does not exist; have you checked that yourself?

A. I know of no cases where there have been any water shipments.

Q. My information is that the Canada Steamship Company does in fact publish a rate of 32½ cents on asphalt in drums from Montreal to Fort William.

A. In packages.

Q. Drums.

A. Of course, we recognize the packages, but it is uneconomical to ship asphalt in packages.

Q. In any event, the 39¢ rate is, I think, published to meet that Canada Steamship Line rate. In large measure I take it your problem is the same as that spoken of by Mr. Watson last week

A. That is correct.

Q. It is a marketing problem?

A. That is correct.

Q. As it stands at the present time; and so long as the American shippers can get in on the low water rate to Vancouver it is difficult for you to compete?

A. That is correct, yes, sir.

MR. O'DONNELL: Well, Mr. Knight possibly might, just as a matter of curiosity, advise us as to the comparison of the B.T.U's per ton of coal and those of oil.

A. C. KNIGHT, recalled

MR. FRAWLEY: What kind of coal?

MR. O'DONNELL: Let us take Alberta coal, Drumheller.

CROSS-EXAMINED BY MR. O'DONNELL

Q. Can you give us information as to the comparison?

A. Well, I am not an expert on the Drumheller coal.

Q. What is the comparison of the B.T.U's?

A. The oil is 18,900 B.T.U's per pound, or 182,400 per gallon.

Q. And the coal you compete with is approximately what?

A. It varies from 9,000 B.T.U's up to 14,000, approximately 14,000 B.T.U's, some of the semi-anthracite areas in the southern part of the province.

Q. Thank you very much.

A. I would like to put in a point here, that oil weighs 9.65 pounds per gallon, and we do not have any 6,000 gallon cars, and it actually works out to 27¢ per car-mile.

MR. SINCLAIR: Q. That is 35 ---

A. That is right.

Q. What sized cars did you take? I did not have the information.

A. We just took the 40-ton car, the only kind we got.

Q. I figured mine on a 6,000-gallon tank; that is why it is in there. How many gallon tanks do you use?

A. 8,000 Imperial gallons.

Q. Then instead of being 20.3 that would make it 27 cents a car-mile

A. That is right.

Q. And that would then put those figures at 27¢ per car-mile as against the system average of 32.2?

A. That is right.

F. AINSWORTH, recalled

CROSS-EXAMINED BY MR. O'DONNELL

Q. Mr. Ainsworth, I take it that again, similarly to Mr. Watson, your company did not ask the railways for a rate east; you had no market east; you have not as yet asked for any rate?

A. On what?

Q. On these shipments of your oil?

A. We have asked for several rates, but what particular product are you concerned with?

Q. The same one Mr. Lloyd was talking about; he said he had not asked for any rate east, that they had not any market for it?

A. Of course, he would not ask for a rate anyway, because they are not actually shipping, but I am just a little curious what product you are referring to.

Q. Well, the same product that you are referring to here, the oil you were hoping to get into Vancouver. You have not asked for any rate east on that, have you?

A. No.

Q. And that again is because there is no market in the east

A. There is no market at the present moment.

Q. All right, thank you, that is all.

MR. COVERT: The last submission, my lord, is that of the Grande Prairie Co-operative Live stock Marketing Association Limited.

MR. FRAWLEY: I call Mr. Hugh Allen.

HUGH W. ALLEN, called

EXAMINED BY MR. FRAWLEY

Q. Mr. Allen, your name is Hugh Allen, and you live at Hu Allen in the Peace River country?

A. That is correct.

THE CHAIRMAN: Spelled the same way?

MR. FRAWLEY: Without the "g-h", sir; otherwise the same.

Q. In that part of the province you are engaged in livestock raising

A. Yes.

Q. And you are President of the Grande Prairie Co-operative Livestock Marketing Association?

A. Yes.

Q. You have prepared this brief for presentation to the Commission; would you please put it in the record, Mr. Allen

A. Gentlemen:

The Board of Directors of the Grande Prairie

Marketing Association on behalf of the patrons present the following submission in regard to livestock shipping conditions on the Northern Alberta Railways from the Grande Prairie District.

The Grande Prairie Co-operative Livestock Association Limited is a Co-operative organization incorporated in 1926 under the provisions of the Alberta Co-operative Association Act. It was originally organized and continues to act as an agency for the livestock producers of the Grande Prairie district in assembling, marketing and making settlements to the producers for the livestock handled. The Head Office of the Association is in Sexsmith and it covers the Grande Prairie and Spirit River districts, shipping livestock from thirteen railroad stations on the N.A.R. The district covered is approximately 400 miles from the city of Edmonton to which point practically all the livestock is consigned. The Association has shipped continuously since its incorporation in 1926 and for several years prior to that date before it became incorporated.

The Association has in recent years handled the great bulk ofthe livestock shipped from the district served. Considerably more than fifty per cent of the volume of livestock moved out has passed through its hands. During the war years, when livestock production was at its peak the Association handled as high as 825 car loads in one year and over a five year period from 1941 to 1945 averaged five hundred and fifty-five car loads per year. For the past year the volume has dropped to a little less than three hundred car loads.

The average freight rate from the district served is forty-four cents per hundredweight. Shipments of stock are made every week - one week covering one end of the line and the following week moving from the other end.

The conditions under which stock is moved on the N.A.R. has gradually improved over the years and even during the peak of production in the war years when a tremendous volume of freight traffic was moving over this railroad the Association moved its stock with reasonable satisfaction. There are, however, at the present time certain conditions pertaining to the supplying of stock cars by the railroad and to their servicing of these cars that leaves much to be desired, and has added greatly to the Association's cost of operating.

The N.A.R. is owned jointly by the C.N.R. and C.P.R. It owns no stock cars of its own, but depends on cars rented from the parent roads. For this reason, it has little or no control over these cars after they arrive in the city of Edmonton and no definite assurance of the supply that is available in the yards of the other roads for its needs for the following week. Apparently for this reason there are times when no cars at all can be secured by the N.A.R. or only a fraction of the number that have been ordered by the shippers. We would cite as an instance, the conditions in the fall months of 1946. From the 5th of September of that year until the 6th of October there was a non-delivery strike by a provincial farmers' organization which stopped practically all shipments of livestock by rail. After the settlement of the strike another month elapsed before the N.A.R. could supply any cars to the Grande Prairie district

and it was not until January that a sufficient supply of stock cars was available to meet the requirements of shippers. In 1947 at exactly the same period, a strike of packing-house workers stopped delivery for one month, and again it was the end of the year before a reasonable volume of stock cars was available on the N.A.R. In 1948 there was no strike but for the whole month of October and the first half of November there were no cars at all, and then only a partial and uncertain supply until the end of the year.

It might be pointed out here that while cattle shipments may be delayed indefinitely that hog shipments cannot be so postponed. While hogs are not perishable, still when they attain a certain weight they must be marketed or they depreciate in value besides adding extra expense to the producer. It should also be noted here that during much of the time when no cars were available on the N.A.R. that there was a fair supply of cars on the C.N.R. and C.P.R. lines in other parts of the province and many of these lines were short hauls that could have been moved by truck. In other words, the N.A.R. in so far as stock cars were concerned would seem to be a sort of poor relation of the other roads and only gets its cars after the others have their quota.

It should be pointed out also that the movement of stock in cars from Edmonton to the Peace River area and the return loads to Edmonton occupies practically a week and there would appear to be no reason why cars should not be constantly on this line as there is no lay-over or loss of time in the movement in and out of Edmonton.

Railroads are supposed to supply certain services in connection with stock cars. One of the most necessary of these is the supplying of substantially built partitions which are used in the case of mixed car loads of cattle and hogs and sheep. The N.A.R. has never at any time supplied ten per cent of the partitions which have been applied for by this Association. To meet this situation the shippers have had to make their own partitions costing approximately Five Dollars each. No allowance is made by the railways for these supplied partitions nor are they ever returned. A considerable amount of other lumber has to be supplied by the shipper for doors on hog cars which are necessary at all times and slatting hog cars in cold weather to protect the animals. No allowance is made for this by the railway nor is the lumber returned. The same applies to half-decks and full-decks which are occasionally put in cars at a cost to the shipper from Forty Dollars to Seventy-five Dollars. On some of the other railways out of Edmonton it is noted that packing companies place decks in certain cars for their own convenience and paint their names on the decks and apparently these cars are returned to them regularly. This Association has frequently asked the railway to allow them to do this, but has always been told that no assurance could be given that these cars would be returned since once they arrive in Edmonton they pass out of the control of the N.A.R. and that road apparently has to take whatever is given by the other roads to meet its requirements. The extra cost for lumber to meet the above mentioned requirements in the case of the Grande Prairie Livestock Association runs into hundreds of dollars each year and is in their view

an unnecessary expense which is forced on it by the railway, and is incurred to provide services which the railway itself should provide.

The sanding of cars in the summer months is another matter of complaint. The Association orders cars to be sanded during hot weather, that is several inches of sand are spread over the floor of stock cars as bedding, and an effort should be made by the railway to give this service. In actual practice only a fraction of the cars that are ordered sanded are supplied. No information is available on the stock cars ordered as to whether they have actually been sanded with the result that in many cases other material has to be rushed in at extra cost and after a certain amount of delay and confusion.

These are only part of the actual complaints that are being constantly made to the railway about the service supplied to the district in question. As a result of these unsatisfactory conditions a considerable volume of livestock is now moved from the district to Edmonton by truck and the Grande Prairie Association has been approached by trucking companies, offering to handle part or all of the livestock. It is the general opinion of livestockmen that this four hundred mile haul to Edmonton can be made to more advantage by rail than by truck, owing to road and weather conditions and shrinkage in the case of some stock. Notwithstanding that opinion, however, a certain volume of livestock is now moving by truck and more will be moving unless more satisfactory conditions can be worked out with the railroad. It would seem to the Association that at the

very minimum the N.A.R. should own and control their own stock cars if they desire to give any service at all to the district.

The Association would be glad to meet the railway on any basis in the supplying of partitions, doors, decks and lumber for cars in cold weather if they could be certain that the railway would protect them in getting back cars on which they have made expenditures. After all, this is a matter of giving service to the people who supply the railways with revenue and we feel that considerably more effort should be made to meet present day requirements than has so far been shown.

MR. FRAWLEY: Q. Mr. Allen, have you anything to add extemporaneously to what you have said?

A. There is one thing I would like to add. It has always been a puzzle to me why the railroads won't supply decked cars, especially in the shipment of hogs. A car with a half-deck will carry 30 per cent more hogs than a car without any deck. In other words, eight cars with half-decks in them will carry as many hogs as twelve cars without any deck, and it would seem to be a matter of ordinary common sense to us shippers that some effort should be made to provide these decks. We can't afford to put them in every time.

Q. Mr. Allen, do you have any difficulty in meeting minimum loads without decks?

A. In meeting which?

Q. Minimum load requirements?

A. We have at times. That applies more particularly to sheep and lambs, and we do not handle a great volume of that.

Q. Hogs come out of your country?

A. Hogs and cattle.

Q. That is all, then, is it, Mr. Allen? Thank you. Now there may be some questions.

THE CHAIRMAN: Any questions?

CROSS-EXAMINED BY MR. O'DONNELL

Q. Mr. Allen, you say that over the years the service has improved greatly, and that even during the war years you were able to move your stock with reasonable satisfaction, I think you put it. Then you mention here on page 2 the car shortage in the fall months of 1946; conditions were more or less the same all over the country at that time with respect to the car shortage; are you aware of that?

A. Not to the same extent.

Q. No, but some places it was very acute. I remember we were in Ottawa, I think, at that time, when the newsprint industry was using the cars, and there was terrific complaint from the head of the lakes concerning the movement of wheat?

A. Yes.

Q. I think you would agree that the railways by and large did try to make the best use of the cars that they had available; there was a shortage of equipment after the war, and that was no inconsiderable part of the difficulty?

A. Just a minute. I would agree with you this far, that the railways used the cars to the best of their advantage, but that did not help in the least in getting our stock out.

Q. No, it did not help you at that particular time, but, on the other hand, there were shippers in other places who felt that they were not being helped either, and it was a matter of moving the cars from one type of shipment to another as best they could?

A. Yes.

(Page 2290 follows)

Q I think if you will look into that a little you will find that was the case at the time. As to these particular dates you refer to here when the strikes were on is not the situation this, that when the strikes were on there was no use for the cars on the N.A.R., and that the railways needed the cars and moved them elsewhere, and that when it came to getting them back they could not get them back immediately. Is that not the situation?

A That was probably the cause of it, but again I say that after all there is a responsibility on the railways to move that stock, and some provision should have been made to have cars available when and if the strike was broken.

Q But the thing was there was no saying when the strike would be broken, and there was a great need for equipment, and the railways in order to help people who wished to ship and could ship, transferred the cars elsewhere, and when it came your turn to ship after the strike was broken they had a little difficulty getting them back. When we read your brief we took the matter up. Many of these matters are matters which I think could be ironed out between the association and the railway. We took the matter up with Mr. McArthur. You know Mr. McArthur, the General Manager of the N.A.R. I think if the association and Mr. McArthur got together they could iron out a lot of these rather annoying things, matters concerning cars which can be easily straightened out. If you would like to do that I am sure Mr. McArthur would be glad to go over these matters with you.

THE CHAIRMAN: Is he in Edmonton?

MR. O'DONNELL: His office is here. He informs us that at the present time there is no shortage of stock cars.

THE WITNESS: There are very light shipments of stock at the present time.

MR. O'DONNELL: Q. So that the equipment is there now and unfortunately cannot be used. Were you here this morning when Mr. Neale of Gainers was talking?

A Yes.

Q Have you any suggestion about his proposal that there should be parity on rates as to livestock and meats?

THE CHAIRMAN: From where? What did you say?

MR. O'DONNELL: Not from any particular place, but Mr. Neale suggested this morning that the differences between livestock rates and dressed meat rates should be closed a bit.

MR. FRAWLEY: A better relationship.

THE WITNESS: I had no opportunity of reading the submission made by Gainers, and I would not want to venture an opinion on it. All I heard was the discussion, and I could not catch all parts of it. There was one part, however, that I should like to comment on, and that was what I took to be a recommendation that a preferential tariff be established inside the province, that is, that local packing plants inside Alberta get a preferntial rate that would enable a greater amount of processing to be done inside Alberta. I feel certain that would not meet with the approval of the producers because that would eliminate the competition which we get from outside buyers in Vancouver, Winnipeg and other places. I feel certain that

would be strongly opposed by the producers' organization. As to the other points you raise, as I say, I have not had a chance of reading the brief and I would not want to venture any opinion on them.

MR. O'DONNELL: Thank you very much, Mr. Allen.

THE CHAIRMAN: That is the last one, is it?

MR. COVERT: Yes.

THE CHAIRMAN: All right, we will adjourn.

---The Commission adjourned at 4.35 p.m., to meet in Victoria, British Columbia, at 10.30 a.m., on Wednesday, June 22, 1949.

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